

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

## **LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT**



**Fiscal Year Ended June 30, 2003**

**JERRY E. ABRAMSON**  
**Mayor**

Prepared by:  
Louisville Metro  
Finance Department

JANE C. DRISKELL  
Chief Financial Officer

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2003**

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2003**

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OFFICE OF THE MAYOR  
LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON  
MAYOR

March 29, 2004

To Fellow Citizens of Metro Louisville:

I am pleased to present the Comprehensive Annual Financial Report of Louisville Metro Government for the fiscal year ended June 30, 2003. The report reflects a government that is financially strong. Louisville Metro government has met the service needs of the citizens while simultaneously ensuring that a strong financial condition is maintained – all while merging two large governments.

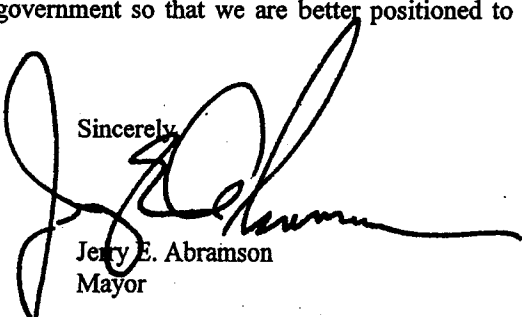
Metro government continued its aggressive emphasis in capital investment, spending \$30 million in fully funded capital programs to maintain and improve its many parks, buildings, facilities, streets, sidewalks, trees, and related infrastructure amenities. The Louisville Zoological Gardens' new gorilla exhibit helped generate record crowds, the libraries increased the size of their book collections and other resource materials, and the neighborhoods became cleaner as the result of the implementation of a new trash collection system.

Capital investment was made in several significant new downtown initiatives, including the beginning of construction of the 4th Street Live project on the site of the old Galleria and the upscale Louisville Marriott Downtown Hotel project. The downtown area also saw continued progress on the Waterfront Park Place condominiums and the beginning of commercial space redevelopment near Slugger Field.

The City has delivered quality services, enhanced public amenities and made strides in economic development and job creation, all within existing revenues. As a result of prudent fiscal management, the undesignated fund balance at the close of fiscal year 2003 was \$62.9 million, or approximately 13 percent of total general fund expenditures including transfers.

This is the first annual report issued for Metro Louisville, as the City of Louisville government and Jefferson County government merged to become Louisville/Jefferson County Metro Government on January 6, 2003. During this year, we created a new government that is more effective, efficient and responsive to the residents we serve in our hometown. As we prepare for the future, the report reflects a government that remains financially sound. In fact, two credit rating agencies recently upgraded the city's bond rating. The new Louisville Metro is among the highest rated communities in the country for its financial management and soundness. Most importantly, though, our commitment to the Metro Louisville taxpayers is to provide quality essential public services within the existing revenue base. This year's financial report demonstrates the success of that commitment, while steadfastly making progress on a plan to help reinvent government so that we are better positioned to serve a larger, more diverse community.

Sincerely,

  
Jerry E. Abramson  
Mayor



LOUISVILLE, KENTUCKY

LOUISVILLE METRO FINANCE DEPARTMENT

JERRY E. ABRAMSON  
MAYOR

JANE C. DRISKELL  
CHIEF FINANCIAL OFFICER

March 29, 2004

To the Citizens of Metro Louisville:

As Chief Financial Officer for the Louisville/Jefferson County Metropolitan Government (Metro Government), I have the distinct pleasure of submitting the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2003. This is the first CAFR issued for Metro Government. On January 6, 2003, Jefferson County Fiscal Court and the City of Louisville Governments merged and formed a new entity called the Louisville / Jefferson County Metropolitan Government. Responsibility for the accuracy, completeness and fairness of the data, including all disclosures, rests with the Metro Government. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to report fairly the financial position and results of operations of Metro Government. All disclosures necessary to enable the reader to gain an understanding of Metro Government's financial activities are included.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this letter of transmittal, Metro Government's organization chart and a list of members of the Metro Council. The financial section includes Management's Discussion and Analysis ("MD&A"), the financial statements, required supplementary information, as well as the auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Metro Government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Information related to this Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's Report on Compliance and on Internal Control Over Financial Reporting, is provided in a separate report.

## FINANCIAL INFORMATION

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of Metro Government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control

structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived, and b) the valuation of costs and benefits requires estimates and judgments by management.

We believe that the statements and schedules included in the financial section of this report indicate that the merged entity, Metro Government, continues to meet its responsibility for sound financial management.

**Single Audit.** As a recipient of federal and state assistance, Metro Government is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of Metro Government's Single Audit described earlier, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that we have complied with applicable laws and regulations.

## **OTHER INFORMATION**

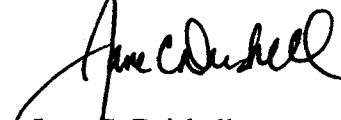
**Independent Audit.** Kentucky law (KRS 67C.133) allows the Auditor of Public Accounts to perform the annual audit of Metro Government. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, and related OMB Circular A-133. The report of the Auditor of Public Accounts on the financial statements is included in the financial section of this report.

**Awards.** The report for the year ended June 30, 2003 is the first report issued for Metro Government; therefore, the new form of government has received no awards. Prior to merger, both the City of Louisville and Jefferson County Fiscal Court individually submitted reports to the Government Finance Officers Association of the United States and Canada (GFOA). Both the City and County each were awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2002. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that Metro Government's current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

**Acknowledgments.** The preparation of the first CAFR for Metro Government was made possible by the dedicated service of the staff of the Department of Finance. Each member of the department has our sincere appreciation for the contributions made in the preparation of this first report for Metro Government.

Respectfully submitted,



Jane C. Driskell  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Louisville,  
Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Jefferson County  
Fiscal Court, Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, reading "Edward Handberg".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director



# LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT ORGANIZATIONAL CHART



CITIZENS OF METRO LOUISVILLE

METRO COUNCIL\*

INTERNAL AUDIT

MAYOR\*\*

COUNTY ATTORNEY\*\*\*

OTHER ELECTED OFFICIALS\*\*\*\*

FINANCE AND  
ADMINISTRATION CABINET

FINANCE  
DEPARTMENT  
PURCHASING  
STRATEGIC  
PLANNING  
INFORMATION  
TECHNOLOGY  
HUMAN  
RESOURCES  
HUMAN  
RELATIONS  
COMMISSION  
REVENUE  
COMMISSION

POLICE  
DEPARTMENT

PUBLIC PROTECTION  
CABINET

LOUISVILLE FIRE  
AND RESCUE  
JEFFERSON CO.  
EMS  
EMERGENCY  
MANAGEMENT  
CORRECTIONS  
DEPARTMENT  
YOUTH  
DETENTION  
CRIMINAL  
JUSTICE  
COMMISSION  
POLICE AND FIRE  
PENSIONS

PUBLIC WORKS AND  
SERVICES CABINET

PUBLIC WORKS  
DEPARTMENT  
FACILITIES  
MANAGEMENT  
SOLID WASTE  
MANAGEMENT  
INSPECTIONS,  
PERMITS AND  
LICENSES  
ANIMAL  
SERVICES  
LOUISVILLE  
WATER CO.  
METROPOLITAN  
SEWER DISTRICT

NEIGHBORHOODS, PARKS,  
AND CULTURE CABINET

NEIGHBORHOODS  
METRO CALL  
BRIGHTSIDE  
PARKS  
INTERNATIONAL  
AFFAIRS  
LIBRARY  
ZOO  
LOUISVILLE  
SCIENCE CENTER  
CONVENTION AND  
VISITORS BUREAU

COMMUNITY  
DEVELOPMENT CABINET

METRO  
DEVELOPMENT  
AUTHORITY  
DOWNTOWN  
DEVELOPMENT  
PARKING  
AUTHORITY OF  
RIVER CITY  
PLANNING &  
DESIGN SERVICES  
HOUSING  
AIR POLLUTION  
CONTROL  
WATERFRONT  
DEVELOPMENT  
REDEVELOPMENT  
AUTHORITY  
METRO HOUSING  
AUTHORITY  
TRANSIT AUTHORITY  
OF RIVER CITY

HEALTH AND FAMILY  
SERVICES CABINET

HEALTH  
DEPARTMENT  
HUMAN  
SERVICES  
KENTUCKIANA  
WORKS  
COMMUNITY  
ACTION AGENCY  
FAMILY HEALTH  
CENTERS -  
PORTLAND

\*INCLUDES FORMER BOARD OF ALDERMEN,  
COUNTY COMMISSIONERS

\*\*INCLUDES FORMER COUNTY  
JUDGE/EXECUTIVE OFFICE

\*\*\*INCLUDES FORMER CITY LAW  
DEPARTMENT

\*\*\*\*COUNTY CLERK,  
COUNTY CORONER,  
COMMONWEALTH'S ATTORNEY,  
COUNTY PROPERTY VALUATION ADMINISTRATOR,  
COUNTY CONSTABLES

# LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT



Fiscal Year Ended June 30, 2003

HONORABLE JERRY E. ABRAMSON ..... MAYOR

## METRO COUNCIL MEMBERS

DENISE BENTLEY.....	DISTRICT 1
BARBARA SHANKLIN .....	DISTRICT 2
MARY C. WOOLRIDGE .....	DISTRICT 3
WILLIE BRIGHT.....	DISTRICT 4
CHERI BRYANT HAMILTON .....	DISTRICT 5
GEORGE UNSELD .....	DISTRICT 6
KENNETH C. FLEMING.....	DISTRICT 7
TOM OWEN .....	DISTRICT 8
TINA WARD-PUGH.....	DISTRICT 9
CYRIL ALLGEIER .....	DISTRICT 10
KEVIN KRAMER .....	DISTRICT 11
RICK BLACKWELL .....	DISTRICT 12
RON WESTON.....	DISTRICT 13
ROBERT HENDERSON .....	DISTRICT 14
GEORGE MELTON.....	DISTRICT 15
KELLY DOWNARD .....	DISTRICT 16
GLEN STUCKEL.....	DISTRICT 17
JULIE RAQUE ADAMS .....	DISTRICT 18
HAL HEINER.....	DISTRICT 19
STUART BENSON.....	DISTRICT 20
DAN JOHNSON .....	DISTRICT 21
ROBIN ENGEL.....	DISTRICT 22
JAMES PEDEN.....	DISTRICT 23
MADONNA FLOOD.....	DISTRICT 24
DOUG HAWKINS.....	DISTRICT 25
ELLEN CALL.....	DISTRICT 26

## DEPARTMENT OF FINANCE

JANE C. DRISKELL .....	CHIEF FINANCIAL OFFICER
SARA V. PARKS.....	ADMINISTRATOR OF FINANCE
JOHN K. JOHNSON.....	ADMINISTRATOR OF GENERAL ACCOUNTING



**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

**Independent Auditor's Report**

To the Citizens of Louisville/Jefferson County Metro Government  
Honorable Jerry Abramson, Mayor  
The Louisville Metro Council

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Louisville/Jefferson County Metro Government (Metro), as of and for the year ended June 30, 2003, which collectively comprise the Metro's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Metro's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some of the entities that comprise the Metro government. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of the other auditors. Those entities were:

**Certain portions of the Governmental Funds including:**

**Within the Debt Service Funds:**

- Public Properties Corporation
- Capital Projects Corporation

**Within the Capital Project Funds:**

- Public Properties Corporation
- Revenue Finance Corporation
- Economic Development Corporation (EDC)
- Community Economic Development Corporation (CEDC)

**Certain portions of the Internal Service Funds:**

Louisville/Jefferson County Revenue Commission

**Certain Fiduciary Funds including:**

- Firefighters Pension Trust Fund
- Policeman's Retirement Fund

**Component Units:**

- Louisville Water Company
- Parking Authority of River City (PARC), Inc.
- Transit Authority of River City (TARC), Inc.
- Riverport Authority
- Metropolitan Sewer District (MSD)
- Louisville Science Center



To the Citizens of Louisville/Jefferson County Metro Government  
Honorable Jerry Abramson, Mayor  
The Louisville Metro Council  
Page 2

Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

<b>Government-Wide Financial Statements:</b>	<b>Percent of Assets</b>	<b>Percent of Revenues</b>
Primary Government – Governmental Activities	3.10%	1.35%
Component Units	100%	100%
<b>Fund Financial Statements:</b>		
Governmental Funds – Non-Major Funds	7.89%	.73%
Proprietary Funds – Governmental Activities – Internal Service Funds	75.61%	44.04%
Fiduciary Funds – Pension Trust Funds	100.00%	100.00%
Fiduciary Funds – Agency Funds	76.32%	
Component Units	100%	100%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metro, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

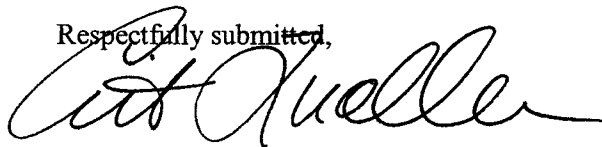
The Management's Discussion and Analysis on pages 5 through 13, budgetary comparison schedules and corresponding notes on pages 69 through 71, and pension information relating to funding progress on page 72 through 73, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Citizens of Louisville/Jefferson County Metro Government  
The Honorable Jerry Abramson, Mayor  
The Louisville Metro Council  
Page 3

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro's basic financial statements. The combining and individual fund statements and schedules – non-major funds, presented in this report on pages 76 through 84 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Metro. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections presented in this report on pages i through viii and 86 through 106 are also presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the Metro Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written over the 'Respectfully submitted,' text.

Crit Luallen.

March 29, 2004

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003**

Our discussion and analysis of Louisville/Jefferson County Metro Government's financial performance provides an overview of Metro Government's financial activities for the fiscal year ended June 30, 2003.

Please read it in conjunction with the Metro Government's basic financial statements, which begin on page 15.

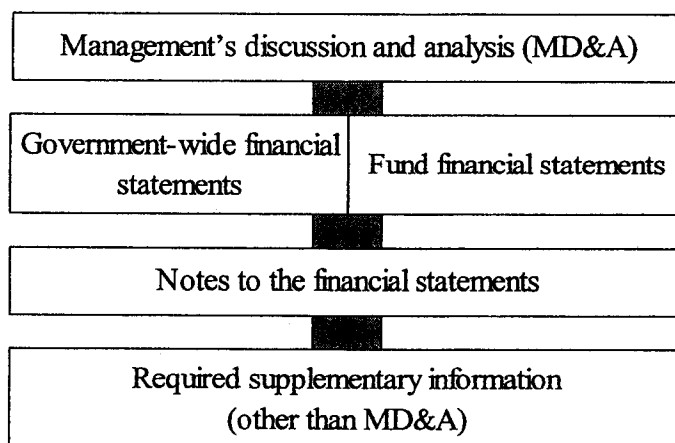
**Financial Highlights**

Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, instituted new reporting requirements for governmental entities. One requirement is to present comparative analyses of prior-year and current-year financial information for net assets and changes in net assets. This was the first year of existence of Metro Government and comparative statements of net assets were derived from combining the prior year's information from the City of Louisville and Jefferson County Fiscal Court financial statements. Comparative analyses for changes in net assets are not representative because of governmental merger and reorganization, and subsequent elimination of intergovernmental transactions, therefore only fiscal year 2003 is presented.

Despite a decrease in net assets, Metro Government is in a strong financial position with a healthy ending fund balance and tremendous potential for improved financial performance and greater efficiencies as the governments continue consolidation.

Net assets decreased by \$68.8 million (or 6.6%), excluding a \$265,769 million prior-period adjustment restating beginning capital assets in the government-wide statements and fund balance in the debt service funds.

**Using This Annual Report**



This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15-17) provide information about the activities of Metro Government as a whole and present a longer-term view of the Metro Government's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

Fund financial statements also report the Metro Government's operations in more detail than the government-wide statements by providing information about the Metro Government's most significant funds. The remaining statements provide financial information about activities for which the Metro Government acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Metro Government as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Metro Government as a whole begins on page 6 with the Governmental-Wide Financial Statements. One of the most important questions raised about the Metro Government's finances is whether the Metro Government as a whole is better off or worse off as a result of the year's activities. The Statement of Net Assets and the Statement of Activities report information about the Metro Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Metro Government's net assets and changes in them. You can think of the Metro Government's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the Metro Government's financial health, or financial position. Over time, increases or decreases in the Metro Government's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Metro Government's property tax base and the condition of the Metro Government's capital assets (roads, buildings, etc.) to assess the overall health of the Metro Government.

The Government-Wide Financial Statements of the Metro Government are divided into three categories:

- **Governmental activities:** Most of the Metro Government's basic services are reported here, including the police, fire, general administration, streets, and parks. Occupational tax, franchise fees, fines, and state and federal grants finance most of these activities. Blended component units are included in this category, and discussed in Note 1B of the financial statements.
- **Business-type activities:** If a fee is charged to customers to help the Metro Government cover all or most of the cost of certain services it provides, those activities are considered to be business-type activities in most cases. The primary government did not report any business-type activities in fiscal year 2003. The debt service component of the Public Properties Corporation formerly presented as a business-type activity has been reclassified to a debt service fund, a governmental activity.
- **Discretely Presented Component units:** the Metro Government includes the Louisville Water Company, the Parking Authority of River City, Inc., the Transit Authority of River City, Inc., the Riverport Authority, the Metropolitan Sewer District, and the Louisville Science Center in its report. These legally separate component units are important because the Metro Government is financially accountable for them, and in the case of the Louisville Water Company, 100% of its stock is owned by the Metro Government. All of the component units separately issue their own respective financial statements, including MD&A, which should be read in conjunction with these statements.

Continued



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

Reporting the Metro Government's Most Significant Funds

**Fund Financial Statements**

Our analysis of the Metro Government's major funds begins on page 7. The fund financial statements begin on page 18 and provide detailed information about the most significant funds – not the Metro Government as a whole. Some funds are required to be established by State law and by bond covenants. However, other funds are established, as needed, to help it control and manage money for particular purposes (such as the Special Purpose Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (for example, grants received from the U.S. Department of Housing and Urban Development). The Metro Government's two kinds of funds, governmental and proprietary, use different accounting approaches. The Metro Government also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described above. These funds are not included in the Metro Government's government-wide financial statements.

*Governmental funds:* Most of the Metro Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using accounting methods called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Metro Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Metro Government's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

*Proprietary funds:* When the Metro Government charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the Metro Government's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds, such as the Metro Government's Insurance and Risk Management Fund, to report activities that provide supplies and services to the Metro Government's other programs and activities.

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Metro Government's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

**The Metro Government As A Whole**

This is a summary of the Metro Government's net assets:

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT							
NET ASSETS							
(amounts in thousands)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2002	2003	2002	2003	2002	2003	2002-2003
Current and other assets	\$ 334,018	\$ 329,387	\$ 1,154		\$ 335,172	\$ 329,387	-1.7%
Capital assets	1,194,387	907,959			1,194,387	907,959	-24.0%
<b>Total assets</b>	<b>1,528,405</b>	<b>1,237,346</b>	<b>1,154</b>	<b>-</b>	<b>1,529,559</b>	<b>1,237,345</b>	<b>-19.1%</b>
Long-term liabilities	380,397	428,563			380,397	428,563	12.7%
Other liabilities	112,684	108,069			112,684	108,069	-4.1%
<b>Total liabilities</b>	<b>493,081</b>	<b>536,632</b>	<b>-</b>	<b>-</b>	<b>493,081</b>	<b>536,633</b>	<b>8.8%</b>
Net assets							
Invested in capital assets, net of related debt	825,850	586,506			825,850	586,506	-29.0%
Restricted	88,176	82,123	1,154		89,330	82,123	-8.1%
Unrestricted	121,298	32,085			121,298	32,085	-73.5%
<b>Total net assets</b>	<b>\$ 1,035,324</b>	<b>\$ 700,714</b>	<b>\$ 1,154</b>	<b>-</b>	<b>\$ 1,036,478</b>	<b>\$ 700,714</b>	<b>-32.4%</b>

This is a summary of the Metro Government's changes in net assets:

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
CHANGES IN NET ASSETS  
For the Year Ended June 30, 2003  
(amounts in thousands)**

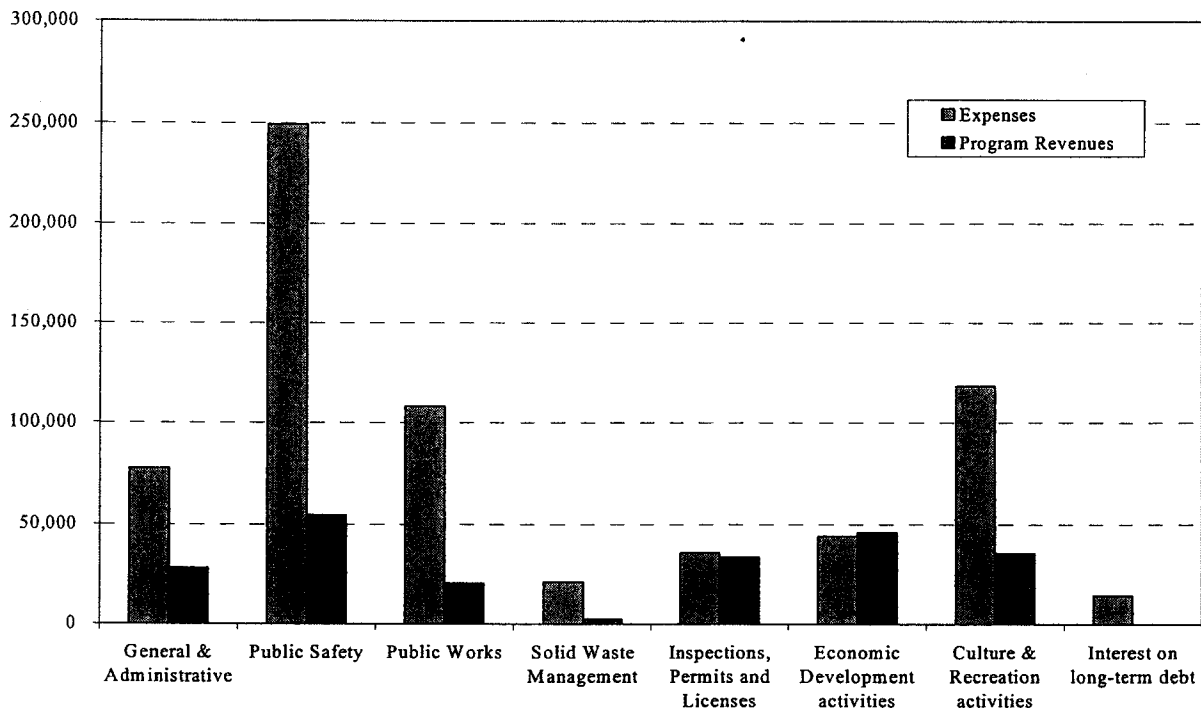
	Governmental Activities
<b>Revenues</b>	
Program revenues:	
Charges for services	\$ 76,773
Operating grants and contributions	96,643
Capital grants and contributions	47,404
General revenues:	
Property taxes	114,570
Other taxes	250,216
Other	13,763
<b>Total revenues</b>	<b>599,369</b>
<b>Expenses</b>	
General & Administrative	77,401
Public Safety	249,197
Public Works	107,929
Solid Waste Management	21,104
Inspections, Permits and Licenses	35,963
Economic Development activities	44,127
Culture & Recreation activities	118,116
Interest on long-term debt	14,372
<b>Total expenses</b>	<b>668,209</b>
<b>Increase (decrease) in net assets</b>	<b>(68,840)</b>
Net assets--beginning	1,035,323
Prior period adjustment	(265,769)
Net assets--ending	<b>\$ 700,714</b>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

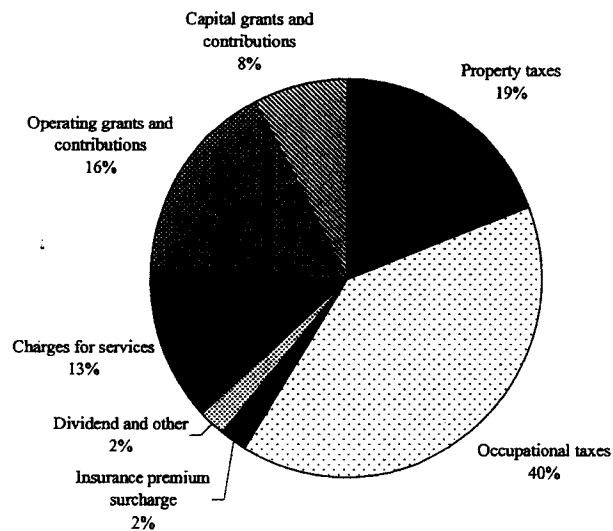
**The Metro Government Funds**

**Governmental Activities**



The cost of all governmental activities this year was \$668.2 million.

This chart shows revenues by source:



The total taxable property valuation and property tax collections for the Metro Government increased again last fiscal year. A partial countywide reassessment of real property as of

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

January 1, 2003 will result in another increase in total taxable valuations and real property tax collections for the fiscal year ended June 30, 2004. However, the overall growth in property tax collections will be mitigated by a reduction in the Metro Government's motor vehicle tax levy within the Urban Services District (the former City limits) as of January 1, 2003.

Revenues in the General, Special Revenue and Debt Service funds declined by \$619,000. Tax revenue continued its trend of a modest increase over the preceding year, with the increase evenly split between property taxes and occupational taxes. These are the result, in turn, of higher property valuations and growth in insurance premium tax collection. Intergovernmental revenues are smaller than the previous year, which featured much higher appropriations by the State.

Expenditures in these same funds decreased overall by about \$14.2 million. Much of this decrease is due to an elimination of the former County's share of funding joint City/County departments. Increases in expenditures occurred in many departments primarily due to annual cost of living adjustments paid to most employees. The largest increase associated with the cost of living adjustments occurred in the Police and Fire Departments.

Component Unit Activities

The Louisville Water Company's operating income increased 8.2% from last year with a slight increase in water revenue. The Parking Authority of River City, Inc. reported a 19% decrease in operating income. All other component units are being presented as such for the first time in these statements and comparisons are not meaningful.

General Fund Budgetary Highlights

Actual expenditures were \$24.8 million below the final budget amounts. The most significant variances resulted from unspent sick leave incentive and undistributed cost of living salary adjustments. These funds will be carried forward to the fiscal year 2004 to offset future related expenditures. On the other hand, resources available for appropriation were \$21 million below the final budget amounts. This was due to higher budgets for intergovernmental revenues, donations and charges for services than actually collected which resulted in reduced expenditures.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

**Capital Asset And Debt Administration**

**Capital Assets**

At the end of June 30, 2003, the Metro Government and its component units have a broad range of capital assets, as shown in the following tables.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
CAPITAL ASSETS  
(net of depreciation)**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2002</b>	<b>2003</b>	<b>2002-2003</b>
Land	\$ 270,495,561	\$ 274,248,764	1.4%
Land improvements	47,166,590	57,845,301	22.6%
Buildings	225,819,477	222,223,648	-1.6%
Machinery and equipment	18,793,657	15,429,030	-17.9%
Vehicles	36,509,743	34,214,830	-6.3%
Works of art	6,827,907	6,341,084	-7.1%
Infrastructure	294,173,062	264,656,659	-10.0%
Construction in progress	23,584,824	32,999,509	39.9%
Total	<u>\$ 923,370,822</u>	<u>\$ 907,958,825</u>	-1.7%

Additional information on Metro Government's capital assets can be found in Note 6 of this report.

**Debt**

At year-end, the Metro Government and its component units have outstanding debt as shown in the following tables.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
OUTSTANDING DEBT  
(amounts in thousands)**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2002</b>	<b>2003</b>	<b>2002-2003</b>
General obligation debt	\$ 180,297	\$ 257,421	42.8%
Revenue bonds	174,994	131,181	-25.0%
Note	1,583	1,037	-34.5%
Total	<u>\$ 356,874</u>	<u>\$ 389,639</u>	9.2%

The credit ratings for the former City of Louisville (Moody's Aa3, Standard and Poor's AA-) and Jefferson County (Moody's Aa2, Standard and Poor's AA) were strong. Metro Government assumed all long-term debt of the former City of Louisville and Jefferson County. In December 2003, the rating by Standard and Poor's for the County debt was affirmed and the rating of the City debt was raised to AA. In addition, Fitch Ratings assigned the first Metro rating at AA plus, citing "a diversified economy which has outpaced national growth, strong financial performance and flexibility of the preceding governments and a low debt burden reflective of financing a large share of capital needs through internal sources." The upgrades are an independent validation of merging governments.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

During the year, total debt of the Metro Government and its component units increased by \$44.9 million, or 2.37%. Before merger, the City of Louisville issued \$47.5 million of City of Louisville General Obligation Bonds, Series 2002A (Exempt) and Series 2002B (Taxable) to finance construction of a new downtown hotel, and Jefferson County issued \$31 million of General Obligation Serial Coupon Bonds, Series 2002A and \$16.5 million Series 2002B to refinance prior bond issues. The Parking Authority of River City, Inc., issued \$19.4 million of First Mortgage Revenue Bonds Series 2002, to finance construction of a new parking garage. The Metropolitan Sewer District issued \$191 million of variable rate bonds to refund prior debt.

Additional information on the Metro Government's long-term debt activity can be found in Note 9 of this report.

**Economic Factors**

The Louisville economy mirrored the slowdown in the national economy during fiscal year 2003. Total occupational taxes declined slightly. Employee withholding tax collections, the largest component, grew by slightly less than one percent, reflecting the slowdown in job creation. Business net profits declined by approximately seven percent. Insurance premium tax collections experienced double-digit growth, reflecting the widespread inflation in premium costs on all taxable lines of insurance coverage.

The total taxable valuation and property tax collections increased again last fiscal year. However, this growth was largely offset by the reduction in the motor vehicle tax collections in the Urban Services District as the property tax rate was reduced from 56.6 cents in 2002 to 28.3 cents in 2003.

Modest growth in occupational tax collections is anticipated next fiscal year as the local and national economies continue a slow recovery. Limited reassessment of real property throughout Metro Louisville will result in another increase in taxable valuations in fiscal year 2004. However, much of the growth will be mitigated by the elimination of the Metro Government's motor vehicle tax levy within the Urban Services District as of January 1, 2003 and the plan to have the Jefferson County Sheriff collect the Urban Services District property taxes for a fee of 1.25%.

Major park renovation will be continued at Cherokee, Iroquois, and Shawnee Parks in conjunction with the Olmsted Conservancy. The new Extreme Sports facility will be completed with the addition of restrooms and a permanent concession area, and the historic Portland Wharf will be transformed into a public park. The Louisville Zoo will complete the construction of a new Australian Playground and Lorikeet exhibit and begin planning for a major revamping of the polar bear and sea lion aquatic areas.

Phase II of the Waterfront Park, including continuation of the Linear Park that begins at the Ashland Oil Asphalt Plant property and ends at Beargrass Creek, will begin to take shape. Construction of new market rate housing units will continue downtown, including the opening of the new Waterfront Place high-rise overlooking the Great Lawn and new apartments along Main Street across from Slugger Field.

A major transformation of the Galleria as Fourth Street Live will be undertaken, which includes reopening 4<sup>th</sup> Street to vehicular traffic along with the addition of several new restaurants and shops.

Metro Government will foster a public/private partnership to create a downtown entertainment district featuring new restaurants and clubs in the 400 and 500 blocks of South 4<sup>th</sup> Street.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Year Ended June 30, 2003**

The widening and conversion to two-way traffic of 2<sup>nd</sup> Street between Main Street and Broadway will be completed. The 9<sup>th</sup> Street Extension, a new roadway connecting 9<sup>th</sup> and Kentucky Streets to 7<sup>th</sup> and Myrtle Streets will be completed.

Inner-city infill housing construction will continue at an accelerated pace, with the continued construction of a significant number of new homes in the Russell and California neighborhoods. Metro Government, in conjunction with the Metro Housing Authority, will continue the dramatic neighborhood transformation in Park DuValle by creating a new neighborhood of over 1,100 new single and multi-family mixed-income homes. Another housing redevelopment effort along the lines of the the Park DuValle Neighborhood transformation may be undertaken in another area of the City to the east of downtown.

The Parking Authority of River City, Inc. is constructing a new garage and plaza at 7<sup>th</sup> Street and River Road to serve the new Muhammad Ali Museum.

**Contacting Metro Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Metro Government's finances and to show Metro Government's accountability for the money it receives. If you have questions about this report or need additional information, contact Metro Government's Department of Finance, 611 West Jefferson Street, Louisville, Kentucky, 40202.

## **BASIC FINANCIAL STATEMENTS**



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2003**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,170,674	\$ 23,363,354
Investments	196,273,222	16,023,489
Receivables, net of allowance for uncollectible amounts	83,309,775	65,629,040
Deposits with paying agents	85,000	
Due from primary government		120,000
Inventories	1,411,334	15,515,017
Prepaid items and deferred charges	4,091,279	31,388,440
Assets restricted by bond indentures and other legal provisions	23,045,309	245,998,432
Infrastructure	855,979,484	2,226,679,813
Other capital assets	875,853,809	787,460,770
Less accumulated depreciation	(823,874,468)	(725,586,153)
Capital assets, net	907,958,825	2,288,554,430
Total assets	1,237,345,418	2,686,592,202
<b>LIABILITIES</b>		
Accounts payable and accrued payroll	25,097,914	25,907,263
Due to component units	120,000	
Due to other government agencies	48,021,709	7,257,606
Deferred revenue	26,468,587	8,221,161
Other liabilities	8,360,115	31,389,874
Long-term liabilities:		
Due within one year	41,230,000	20,973,121
Due in more than one year	387,332,628	1,381,066,194
Total liabilities	536,630,953	1,474,815,219
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	586,506,197	893,016,091
Restricted for:		
Capital projects	82,123,082	41,424,055
Debt service		41,165,643
Unrestricted	32,085,186	236,171,194
Total net assets	\$ 700,714,465	\$ 1,211,776,983

**The accompanying notes are an integral part of the financial statements.**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2003**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General Government:					
Metro Council	\$ 4,766,091	\$ 3,939			\$ (4,762,152)
Mayor's Office	3,685,320	507	\$ 25,500		(3,659,313)
County Attorney	7,594,770	873,794	564,852		(6,156,124)
Other Elected Officials	11,726,728	290,742	9,390,108	\$ 526,883	(1,518,995)
Internal Audit	605,969				(605,969)
Finance Department	35,887,763	2,074,508	1,283,242	13,077,912	(19,452,101)
External agencies	15,999,127	1,579,292	443,408	1,267,715	(12,708,712)
Purchasing Department	566,832				(566,832)
Information Technology	7,346,791	158,134			(7,188,657)
Human Resources Department	3,976,508	17,884			(3,958,624)
Human Relations Commission	917,390	126,810	177,980		(612,600)
Police Department	121,700,362	5,558,878	9,232,573	1,644,460	(105,264,451)
Public Protection Cabinet	59,940				(59,940)
Fire Department	48,290,780	4,756,252	2,081,374	25,988	(41,427,166)
County Emergency Medical Services	7,982,723	4,681,971			(3,300,752)
Emergency Management	6,630,483	4,109,740	200,818	1,104,289	(1,215,636)
Corrections Department	42,430,934	2,668,757	3,904,817	3,665	(35,853,695)
Crime Commission	487,439	383	83,004	323,187	(80,865)
Office of Public Safety	189,935				(189,935)
Firefighters' Pension Fund	729,228				(729,228)
Policemen's Retirement Fund	515,085				(515,085)
Public Works Department	107,929,055	6,458,365	7,082,050	7,011,268	(87,377,372)
Solid Waste Management Services	21,103,623	1,557,826	495,711	515,972	(18,534,114)
Inspections, Permits and Licenses	29,616,549	7,407,483	21,033,561		(1,175,505)
Animal Control Services	1,516,409	529,594		70,678	(916,137)
Department of Neighborhoods	3,702,374	22,592	544,755	93,808	(3,041,219)
Parks Department	25,618,761	5,150,232	218,594	1,316,708	(18,933,227)
International and Cultural Affairs	410,971				(410,971)
Louisville Free Public Library	19,269,067	1,212,942	660,217	95,177	(17,300,731)
Louisville Zoological Gardens	11,665,747	7,631,624	625,170	1,033,186	(2,375,767)
Metro Development Authority	9,388,810	2,416,129	235,843	8,200,390	1,463,552
Office for Business Services	4,616,822	3,071,131	165,000	14,500	(1,366,191)
Housing Department	11,379,197	1,218,152	2,816,914	9,627,941	2,283,810
Air Pollution Control	4,829,923	2,820,602	1,127,421	740,579	(141,321)
Waterfront Development Corp	11,625,563	340,458	450,633	709,910	(10,124,562)
Redevelopment Authority	6,104,413	5,047,674	883,750		(172,989)
Economic Development Corporation	229,696				(229,696)
Community Economic Development Corporation	1,565				(1,565)
Health Department	21,422,827	2,021,414	11,944,331		(7,457,082)
Human Services	22,428,629	2,820,107	4,169,989		(15,438,533)
Office of Youth Development	1,697,667	120,065	60,224		(1,517,378)
Workforce Investment Board	12,407,987	9,871	12,099,795		(298,321)
Community Action Agency	4,780,978	14,918	4,641,808		(124,252)
Interest expense	14,372,117				(14,372,117)
Total governmental activities	<u>668,208,948</u>	<u>76,772,770</u>	<u>96,643,442</u>	<u>47,404,216</u>	<u>(447,388,520)</u>
Total primary government	<u>\$ 668,208,948</u>	<u>\$ 76,772,770</u>	<u>\$ 96,643,442</u>	<u>\$ 47,404,216</u>	<u>\$ (447,388,520)</u>
<b>Component units:</b>					
Louisville Water Co.	\$ 85,789,321	\$ 98,482,858		\$ 16,646,769	\$ 29,340,306
Parking Authority of River City, Inc.	12,197,672	10,505,638			(1,692,034)
Transit Authority of River City, Inc.	55,768,580	6,743,849	\$ 55,276,613		6,251,882
Riverport Authority	2,724,391	1,263,644			(1,460,747)
Metropolitan Sewer District	121,753,000	106,242,000		24,141,000	8,630,000
Louisville Science Center	6,076,294	6,290,020			213,726
Total component units	<u>\$ 284,309,258</u>	<u>\$ 229,528,009</u>	<u>\$ 55,276,613</u>	<u>\$ 40,787,769</u>	<u>\$ 41,283,133</u>

(The statement of activities continues on the following page.)

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**STATEMENT OF ACTIVITIES (continued)**

**For the Year Ended June 30, 2003**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Units</b>
Net (expense) revenue (from preceding page)	\$ (447,388,520)	\$ 41,283,133
General revenues:		
Taxes:		
Property taxes, levied for general purposes	114,569,931	
Occupational taxes	235,901,121	
Insurance premium surcharge	14,314,738	
Investment income	2,211,363	6,493,318
Dividends	12,379,583	
Change in reserve for inventories	77,032	
Change in reserve for loans	(2,299,330)	
Miscellaneous	1,393,951	
Total general revenues	<u>378,548,389</u>	<u>6,493,318</u>
Change in net assets	<u>(68,840,131)</u>	<u>47,776,451</u>
Net assets--beginning, restated	769,554,596	1,164,000,532
Net assets--ending	<u><u>\$ 700,714,465</u></u>	<u><u>\$ 1,211,776,983</u></u>

**The accompanying notes are an integral part of the financial statements.**

## LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2003

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,599,466	\$ 290,607	\$ 1,101,146	\$ 4,902,605	\$ 19,893,824
Investments	62,655,916	8,529,233	32,318,346	30,776,838	134,280,333
Receivables:					
Taxes receivable, less allowance for uncollectible amounts	4,447,671				4,447,671
Accounts receivable and accrued interest	19,458,270	4,038,458	40,349	484,131	24,021,208
Loans receivable, less allowance for uncollectible amounts	3,162,299	7,349,520	10,206,541		20,718,360
Due from federal government	5,697,177	7,430,912	1,360,602		14,488,691
Due from state government	3,655,282	351,082			4,006,364
Due from component units	400,000				400,000
Due from other funds	14,351,436		12,791,313	662,360	27,805,109
Inventories	923,754				923,754
Land held for development				487,580	487,580
Prepaid items	476,495				476,495
Deposit with paying agents	40,000				40,000
Restricted assets:					
Cash and cash equivalents	774,300	3,239,452	17,897,115	37,379	21,948,246
Investments				1,097,063	1,097,063
Total assets	<u>\$ 129,642,066</u>	<u>\$ 31,229,264</u>	<u>\$ 75,715,412</u>	<u>\$ 38,447,956</u>	<u>\$ 275,034,698</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 16,365,802	\$ 5,191,607	\$ 4,347,024	\$ 299,917	\$ 26,204,350
Accrued payroll and withholdings	10,187,324	190,497			10,377,821
Due to other funds	12,791,313			11,028	12,802,341
Due to component units	120,000				120,000
Due to other governments	111,025				111,025
Matured bonds and interest payable				662,360	662,360
Deferred revenue	8,189,070	1,710,470	10,336,026	369,882	20,605,448
Other liabilities	3,147,241	5,042,626	91,936	78,312	8,360,115
Total liabilities	<u>50,911,775</u>	<u>12,135,200</u>	<u>14,774,986</u>	<u>1,421,499</u>	<u>79,243,460</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	902,921	9,085,113	3,829,146	1,168,969	14,986,149
Inventories	923,768				923,768
Prepaid items	185,800				185,800
Long term-loans receivable	2,884,374	7,349,520			10,233,894
Debt service				1,282,019	1,282,019
Unreserved, reported in:					
General fund	73,833,428				73,833,428
Special revenue funds		2,659,431		8,553,668	11,213,099
Capital projects funds			57,111,280	26,021,801	83,133,081
Total fund balances	<u>78,730,291</u>	<u>19,094,064</u>	<u>60,940,426</u>	<u>37,026,457</u>	<u>195,791,238</u>
Total liabilities and fund balances	<u>\$ 129,642,066</u>	<u>\$ 31,229,264</u>	<u>\$ 75,715,412</u>	<u>\$ 38,447,956</u>	
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds					906,291,182
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds, including deferred charges, are included in governmental activities in the Statement of Net Assets.					1,249,046
Certain revenues are earned but not available and therefore are deferred in the funds					6,233,365
Long-term liabilities of \$428,562,628, including bonds payable, less \$16,097,478 reported in internal service funds, less deferred charges of \$3,614,784, are not due and payable in the current period and therefore are not reported in the funds.					(408,850,366)
Net assets of governmental activities					<u>\$ 700,714,465</u>

The accompanying notes are an integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2003**

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 110,578,566				\$ 110,578,566
Occupational taxes	235,901,121				235,901,121
Licenses and permits	23,741,060				23,741,060
Intergovernmental	46,015,345	\$ 75,474,792	\$ 1,548,302	\$ 4,439,394	127,477,833
Charges for services	47,045,129	8,984,292	921,479	3,896,732	60,847,632
Fees and fines	914,218			100	914,318
Investment income	1,226,949	851,410	1,543,263	534,888	4,156,510
Dividends	12,379,583				12,379,583
Donations	1,311,214	60,225	2,669,011		4,040,450
Miscellaneous	3,146,781	(275,767)	14,383,542	120,437	17,374,993
Total revenues	482,259,966	85,094,952	21,065,597	8,991,551	597,412,066
<b>EXPENDITURES</b>					
Current operating:					
General Government					
Metro Council	4,446,718				4,446,718
Mayor's Office	3,579,829				3,579,829
County Attorney	7,412,962				7,412,962
Other Elected Officials	6,932,008		4,312,015		11,244,023
Internal Audit	591,705				591,705
Finance Department	9,375,942	8,645,143			18,021,085
External Agencies	12,709,110	2,783,739			15,492,849
Purchasing Department	553,489				553,489
Information Technology	6,082,646				6,082,646
Human Resources Department	3,882,710				3,882,710
Human Relations Commission	353,479	542,316			895,795
Police Department	114,448,477	2,900,797	6,437		117,355,711
Public Protection Cabinet	58,529				58,529
Fire Department	45,563,191				45,563,191
County Emergency Medical Services	7,728,142				7,728,142
Emergency Management	1,178,542	365,960		2,798,797	4,343,299
Corrections Department	39,592,089				39,592,089
Crime Commission	475,965				475,965
Office of Public Safety	185,464				185,464
Firefighters' Pension Fund	729,228				729,228
Policemen's Retirement Fund	515,085				515,085
Public Works Department	37,874,923	10,814,556	1,288,977		49,978,456
Solid Waste Management Services	18,731,594	1,055,327			19,786,921
Inspections, Permits and Licenses	8,094,007	20,817,595			28,911,602
Animal Control Services	1,467,087				1,467,087

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (continued)**  
**For the Year Ended June 30, 2003**

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Department of Neighborhoods	\$ 3,274,213	\$ 196,429			\$ 3,470,642
Parks Department	21,180,369	353,979	\$ 232,900		21,767,248
International and Cultural Affairs	401,297				401,297
Louisville Free Public Library	14,298,739	837,951	586,612		15,723,302
Louisville Zoological Gardens	9,956,756	242,575			10,199,331
Metro Development Authority	3,830,233	2,604,893			6,435,126
Office for Business Services	3,382,154	165,000	611,672		4,158,826
Housing Department	1,185,720	9,277,810	383,017		10,846,547
Air Pollution Control	4,601,638				4,601,638
Waterfront Development Corporation	1,890,910	6,373,969			8,264,879
Redevelopment Authority	841,439	5,118,067			5,959,506
Economic Development Corporation				\$ 224,289	224,289
Community Economic Development Corporation				1,528	1,528
Health Department	20,747,662				20,747,662
Human Services	17,986,236		3,914,438		21,900,674
Office of Youth Development	1,570,555	87,150			1,657,705
Workforce Investment Board	15,000	12,083,123			12,098,123
Community Action Agency	29,947	4,638,490			4,668,437
Debt service principal	379,133		182,132	19,081,735	19,643,000
Debt service interest and other charges	71,279		882,302	13,418,536	14,372,117
Capital outlay			79,244,769	8,417,889	87,662,658
Total expenditures	438,206,201	89,904,869	91,645,271	43,942,774	663,699,115
Excess (deficiency) of revenues over expenditures	44,053,765	(4,809,917)	(70,579,674)	(34,951,223)	(66,287,049)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets			8,397	179,282	187,679
Proceeds of refunding bonds				49,445,000	49,445,000
Proceeds of long-term capital debt, par			47,450,000		47,450,000
Proceeds of long-term capital debt, premium			10,734	352,740	363,474
Bond issuance costs paid				(199,324)	(199,324)
Refunded bond principal				(48,760,000)	(48,760,000)
Refunded bond interest				(470,334)	(470,334)
Refunded bond premium				(317,200)	(317,200)
Payment to bond refunding escrow agent				(2,999,382)	(2,999,382)
Transfers in	2,527,155		32,920,100	75,358,703	110,805,958
Transfers out	(49,221,709)	(1,387,497)	(21,361,437)	(39,210,314)	(111,180,957)
Total other financing sources (uses)	(46,694,554)	(1,387,497)	59,027,794	33,379,171	44,324,914
Net change in fund balances	(2,640,789)	(6,197,414)	(11,551,880)	(1,572,052)	(21,962,135)
Fund balances—beginning and restated	81,294,048	27,590,808	72,492,306	38,598,509	219,975,671
Increase in reserve for inventories	77,032				77,032
Decrease in reserve for loans		(2,299,330)			(2,299,330)
Fund balances—ending	\$ 78,730,291	\$ 19,094,064	\$ 60,940,426	\$ 37,026,457	\$ 195,791,238

The accompanying notes are an integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2003**

Net change in fund balances--total governmental funds	\$ (21,962,135)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which the increase in capital assets exceeded depreciation in the current period.	(8,085,265)
In the Statement of Activities, only the loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the basis of the assets sold.	(10,799,181)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	6,233,365
Deferred revenues added to net assets in the prior year are deducted in the current year.	(2,242,000)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(29,279,484)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	5,193,377
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net assets of the internal service funds is reported with governmental activities.	(5,676,508)
Change in reserves for inventories and loans not affecting revenues or expenditures	(2,222,300)
Change in net assets of governmental activities	<u>\$ (68,840,131)</u>

**The accompanying notes are an integral part of the financial statements.**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2003

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,276,849
Investments	61,992,889
Receivables, net	45,763
Due from component units	178,923
Deposits with paying agents	45,000
Total current assets	<u>63,539,424</u>
Capital assets:	
Buildings and equipment, net	<u>1,667,643</u>
Total assets	<u>65,207,067</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	655,697
Due to other funds	35,108,343
Deferred revenue	12,096,504
Total current liabilities	<u>47,860,544</u>
Noncurrent liabilities:	
Claims and judgments	<u>16,097,478</u>
Total noncurrent liabilities	<u>16,097,478</u>
Total liabilities	<u>63,958,022</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,465,817
Unrestricted	<u>(216,772)</u>
Total net assets	<u>\$ 1,249,045</u>

The accompanying notes are an  
integral part of the financial statements.



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2003**

	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES:</b>	
Fee income and subsidy	\$ 4,852,726
Insurance income	6,166,910
Total operating revenues	<u>11,019,636</u>
<b>OPERATING EXPENSES:</b>	
Personal services	3,441,613
Contractual services	1,591,280
Repairs and maintenance	121,526
Other supplies and expenses	184,016
Insurance claims settlements and losses	8,444,890
Insurance premiums	3,052,473
Depreciation	705,986
Total operating expenses	<u>17,541,784</u>
Operating income (loss)	<u>(6,522,148)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment income	379,031
Miscellaneous revenue	100,000
Miscellaneous expense	(8,390)
Total nonoperating revenue (expenses)	<u>470,641</u>
Net loss before transfers	<u>(6,051,507)</u>
Transfers in	1,291,386
Transfers out	<u>(916,387)</u>
Change in net assets	<u>(5,676,508)</u>
Total net assets--beginning	<u>6,925,553</u>
Total net assets--ending	<u><u>\$ 1,249,045</u></u>

The accompanying notes are an  
integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2003**

	<b>Governmental Activities Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Fee income and subsidy	\$ 7,439,323
Insurance income	6,174,976
Payments to employees	(3,239,786)
Payments to suppliers	(1,333,991)
Contractual services	(561,358)
Claims paid	(5,586,499)
Insurance premiums paid	(3,052,473)
Net cash provided (used) by operating activities	(159,808)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Operating transfers from other funds	374,999
Net cash provided by noncapital and related financing activities	374,999
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(92,802)
Net cash used in capital and related financing activities	(92,802)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investments	(5,785,016)
Sale of investments	1,084,332
Investment income	379,031
Net cash provided by (used in) investing activities	(4,321,653)
Net increase (decrease) in cash and cash equivalents	(4,199,264)
Balances--beginning of the year	5,476,113
Balances--end of the year	\$ 1,276,849
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ (6,522,148)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	705,986
Increase (decrease) in cash due to changes in assets and liabilities:	
Accounts receivable	8,066
Due from component units	59,624
Accounts and other payables	(48,081)
Liability for incurred claims	2,830,886
Due to other funds and governmental agencies	(261,917)
Deferred revenue	2,967,776
Restricted funds	100,000
Net cash provided (used) by operating activities	\$ (159,808)
<b>NON CASH INVESTING ACTIVITIES:</b>	
Change in fair value of investments	\$ (65,562)

The accompanying notes are an integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2003**

	<u>Pension &amp; Benefit Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,241,139	\$ 19,436	\$ 10,549,206
Investments	27,379,229	570,454	10,630,788
Accounts receivable and accrued interest	252,464		1,245,279
Due from other funds			37,909,926
Total assets	<u>28,872,832</u>	<u>589,890</u>	<u>\$ 60,335,199</u>
<b>LIABILITIES</b>			
Accounts payable	412,261		
Due to other governmental agencies			\$ 37,967,209
Due to other funds			17,804,351
Refundable deposits			4,563,639
Total liabilities	<u>412,261</u>	<u>-</u>	<u>\$ 60,335,199</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	28,460,571		
Held in trust for private purpose		589,890	
Total net assets	<u>\$ 28,460,571</u>	<u>\$ 589,890</u>	

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2003**

	<u>Pension &amp; Benefit Trust</u>	<u>Private- purpose Trust</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,335,180	
Member	3,505	
Total contributions	<u>1,338,685</u>	
Investment earnings:		
Decrease in fair value	(216,188)	
Interest and dividends	748,055	\$ 14,736
Total investment earnings (loss)	<u>531,867</u>	<u>14,736</u>
Investment expense	<u>(260,857)</u>	
Net investment earnings (loss)	271,010	14,736
Other income	52	
Total additions	<u>1,609,747</u>	<u>14,736</u>
<b>DEDUCTIONS</b>		
Benefit payments	7,184,723	
Administration expense	364,489	
Total deductions	<u>7,549,212</u>	<u>-</u>
Net increase (decrease)	(5,939,465)	14,736
Net assets--beginning of the year	<u>34,400,036</u>	<u>575,154</u>
Net assets--end of the year	<u>\$ 28,460,571</u>	<u>\$ 589,890</u>

The accompanying notes are an integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**June 30, 2003**

	<b>Louisville Water Company*</b>	<b>Parking Authority of River City (PARC), Inc.</b>	<b>Transit Authority of River City (TARC), Inc.</b>	<b>Riverport Authority</b>	<b>Metropolitan Sewer District (MSD)</b>	<b>Louisville Science Center</b>	<b>Total</b>
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ 6,627,144	\$ 182,454		\$ 395,961	\$ 15,072,000	\$ 1,085,795	\$ 23,363,354
Investments			\$ 2,251,207	4,564,903	9,176,000	31,379	16,023,489
Accounts receivable and accrued interest	12,639,291	231,983	3,033,226	54,624	12,904,000	1,336,940	30,200,064
Due from primary government				120,000			120,000
Inventories	4,280,110		1,302,120	7,209,302	2,676,000	47,485	15,515,017
Prepaid expenses	656,881	15,204	419,849		667,000	165,732	1,924,666
Total current assets	24,203,426	429,641	7,006,402	12,344,790	40,495,000	2,667,331	87,146,590
<b>Restricted assets:</b>							
Cash and cash equivalents	-	201,255			117,226,000	51,869	117,479,124
Investments			1,427,601		51,220,000		52,647,601
Revenue bond covenant accounts	46,802,260	23,034,214					69,836,474
Water system extension funds	6,035,233						6,035,233
Total restricted assets	52,837,493	23,235,469	1,427,601	-	168,446,000	51,869	245,998,432
Note receivable		1,114,933					1,114,933
Contract and assessments receivable	3,987,043				30,327,000		34,314,043
Deferred charges	4,117,174	494,600			24,852,000		29,463,774
<b>Capital assets:</b>							
Land	5,774,564	9,304,855	2,774,190	8,268,539			26,122,148
Buildings	12,723,294	56,939,635	23,260,332	28,844,502			121,767,763
Improvements		9,209,678				4,030,451	13,240,129
Machinery and equipment	32,408,076	3,271,015	114,678,113	177,670		1,697,846	152,232,720
Museum exhibits						13,842,780	13,842,780
Infrastructure	700,070,813				1,526,609,000		2,226,679,813
Construction in progress	47,291,394	7,526,755			405,036,000	401,081	460,255,230
Less accumulated depreciation	(209,823,175)	(26,018,428)	(70,440,180)	(11,705,697)	(398,727,000)	(8,871,673)	(725,586,153)
Capital assets, net of accumulated depreciation	588,444,966	60,233,510	70,272,455	25,585,014	1,532,918,000	11,100,485	2,288,554,430
Total assets	673,590,102	85,508,153	78,706,458	37,929,804	1,797,038,000	13,819,685	2,686,592,202
<b>LIABILITIES</b>							
<b>Current liabilities:</b>							
Accounts payable	1,797,378	522,526	3,043,656	154,027	9,492,000	261,137	15,270,724
Accrued payroll and withholdings						157,667	157,667
Due to other governmental agencies	6,499,720						6,499,720
Due to primary government	357,886			400,000			757,886
Deferred revenue		16,227	1,029,820			258,114	1,304,161
Total current liabilities	8,654,984	538,753	4,073,476	554,027	9,492,000	676,918	23,990,158
<b>Current liabilities payable from restricted assets:</b>							
Customer advances and deposits payable	142,707						142,707
Bonds payable, current portion	5,719,268	2,135,000		26,853	13,092,000		20,973,121
Interest payable	810,805	214,067			9,454,000		10,478,872
Other liabilities	3,172,382	1,869,815			17,588,000		22,630,197
Total current liabilities payable from restricted assets	9,845,162	4,218,882	-	26,853	40,134,000	-	54,224,897
<b>Noncurrent liabilities:</b>							
Unearned revenue					6,917,000		6,917,000
Revenue bonds payable (net of unamortized discounts)	128,740,000	50,742,470		89,748	1,194,993,000		1,374,565,218
Compensated absences payable	2,492,786		2,674,070				5,166,856
Claims and judgements payable			1,334,120				1,334,120
Total noncurrent liabilities	131,232,786	50,742,470	4,008,190	89,748	1,201,910,000	-	1,387,983,194
<b>Deferred credits - customer advances for construction</b>							
	8,616,970						8,616,970
Total liabilities	158,349,902	55,500,105	8,081,666	670,628	1,251,536,000	676,918	1,474,815,219
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	453,985,698	7,356,040	70,272,455	25,468,413	324,833,000	11,100,485	893,016,091
Restricted for capital projects	39,674,829					1,749,226	41,424,055
Restricted for debt service	597,358	21,684,285			18,884,000		41,165,643
Unrestricted	20,982,315	967,723	352,337	11,790,763	201,785,000	293,056	236,171,194
Total net assets	\$ 515,240,200	\$ 30,008,048	\$ 70,624,792	\$ 37,259,176	\$ 545,502,000	\$ 13,142,767	\$ 1,211,776,983

\*Amounts for the Louisville Water Company are for December 31, 2002.  
The accompanying notes are an integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**COMPONENT UNITS**  
**For the Year Ended June 30, 2003**

	Louisville Water Company*	Parking Authority of River City (PARC), Inc.	Transit Authority of River City (TARC), Inc.
<b>OPERATING REVENUES:</b>			
Charges for sales and services:			
Water sales	\$ 98,172,031		
Parking		\$ 10,505,638	
Transit fares and advertising			\$ 6,743,849
Mass Transit subsidies			55,276,613
Port fees and rents			
Sewer charges			
Admissions and museum support			
Total operating revenues	<u>98,172,031</u>	<u>10,505,638</u>	<u>62,020,462</u>
<b>OPERATING EXPENSES:</b>			
Cost of operations	30,737,688	4,461,486	39,628,272
General and administrative	11,307,021	928,550	
Depreciation	15,780,272	2,934,341	16,140,308
Amortization	(133,958)	313,113	
Water and fire services in lieu of taxes	8,051,931		
Total operating expenses	<u>65,742,954</u>	<u>8,637,490</u>	<u>55,768,580</u>
Operating income (loss)	<u>32,429,077</u>	<u>1,868,148</u>	<u>6,251,882</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	1,880,024	117,690	82,527
Interest expense	(6,787,180)	(1,761,108)	
Contributed in aid of construction	16,646,769		
Dividends paid and payable	(12,379,623)		
Miscellaneous	310,827	(1,799,074)	
Total nonoperating revenues (expenses)	<u>(329,183)</u>	<u>(3,442,492)</u>	<u>82,527</u>
Net income (loss) before distributions	32,099,894	(1,574,344)	6,334,409
Distributed property	(879,564)		
Net income	31,220,330	(1,574,344)	6,334,409
Net assets, beginning of year	484,019,870	31,582,392	64,290,383
Net assets, end of year	<u>\$ 515,240,200</u>	<u>\$ 30,008,048</u>	<u>\$ 70,624,792</u>

\*Amounts for the Louisville Water Company are for the year ended December 31, 2002.  
The accompanying notes are an integral part of the financial statements.

Riverport Authority	Metropolitan Sewer District (MSD)	Louisville Science Center	Total
			\$ 98,172,031
		\$ 241,060	10,746,698
			6,743,849
			55,276,613
\$ 1,035,072			1,035,072
	\$ 106,242,000		106,242,000
		6,048,960	6,048,960
1,035,072	106,242,000	6,290,020	284,265,223
976,939	52,045,000	2,539,984	130,389,369
430,929		2,068,132	14,734,632
909,855	35,401,000	1,468,178	72,633,954
			179,155
			8,051,931
2,317,723	87,446,000	6,076,294	225,989,041
(1,282,651)	18,796,000	213,726	58,276,182
82,622	4,290,000	40,455	6,493,318
(6,668)	(34,307,000)		(42,861,956)
	24,141,000		40,787,769
			(12,379,623)
228,572		-	(1,259,675)
304,526	(5,876,000)	40,455	(9,220,167)
(978,125)	12,920,000	254,181	49,056,015
(400,000)			(1,279,564)
(1,378,125)	12,920,000	254,181	47,776,451
38,637,301	532,582,000	12,888,586	1,164,000,532
\$ 37,259,176	\$ 545,502,000	\$ 13,142,767	\$ 1,211,776,983

## **NOTES TO THE FINANCIAL STATEMENTS**

# LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

### 1. Summary of Significant Accounting Policies

Louisville/Jefferson County Metro Government ("Metro Government") began operations January 6, 2003, and was formed from the merger of the former City of Louisville (founded in 1778 and incorporated in 1828) and Jefferson County, Kentucky (created in 1780). Metro Government operates under a Mayor-Council form of government and provides the following services: public health and safety, streets and roads, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The following is a summary of the significant accounting policies:

#### A. Basis of Presentation

The financial statements of Metro Government have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

#### B. Reporting Entity

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, Metro Government has included in its financial statements the departments, agencies, boards, commissions, authorities, and corporations that comprise the primary government along with its discretely presented Component Units.

##### i. Blended Component Units

The following Component Units have been presented as blended Component Units because the boards of the Component Units are substantively the same as the primary government, or the Component Units provide services exclusively or almost exclusively to the primary government.

- The Louisville/Jefferson County Revenue Commission - The Commissioners of the Revenue Commission are appointed by Metro Government. The Revenue Commission is reported as part of the primary government because its primary purpose is to collect certain taxes and fees on behalf of Metro Government, and to collect and remit debt service requirements on Metro Government's general obligation bonds. To a lesser extent, the Revenue Commission is the collection agent of certain fees and taxes for other local governmental entities.
- The Public Properties Corporation - The Public Properties Corporation is a non-profit municipal corporation which is used to account for certain property acquisitions and improvements financed by proceeds from the sale of various First Mortgage Revenue Bonds. It is reported as part of the primary government because its purpose is to issue bonds solely on behalf of Metro Government.
- The Revenue Finance Corporation - The Revenue Finance Corporation is a non-profit municipal corporation which is used for the acquisition and implementation of public projects financed by increments in tax revenues. It

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

exists solely for the benefit of Metro Government, and is accordingly reported as part of the primary government.

- Capital Projects Corporation (CPC) - The Mayor, with the approval of the Metro Council, appoints the CPC's governing board. The CPC was incorporated by Jefferson County Fiscal Court, succeeded by Metro Government, as its agency and instrumentality in the financing of public improvements and projects of a capital nature. The CPC undertakes projects and issues bonds at the direction of and pursuant to ordinances adopted by the Metro Council. All debt obligations of the CPC are serviced with rental payments made by Metro Government as consideration from annually renewable leases of the financed properties by Metro Government.
- Economic Development Corporation (EDC) - Pursuant to its Articles of Incorporation, the Mayor is President of the EDC and other designated officers of Metro Government serve as members of its governing board. The EDC was established, pursuant to state statute, to act as an agency and instrumentality of Jefferson County Fiscal Court, succeeded by Metro Government, in the acquisition of land, buildings, equipment, and specifically, industrial parks. The EDC undertakes projects and issues bonds at the direction of and pursuant to ordinances adopted by the Metro Council.
- Community Economic Development Corporation (CEDC) - Pursuant to its Articles of Incorporation, the Mayor is President of the CEDC and other designated officers of Metro Government serve as members of its governing board. The CEDC was established, pursuant to state statute, to act as an agency and instrumentality of Jefferson County Fiscal Court, succeeded by Metro Government, in the acquisition and financing of public projects promoting economic and community development, employment and tourism within Jefferson County. The CEDC undertakes projects and issues bonds at the direction of and pursuant to ordinances adopted by the Metro Council.

Complete financial statements for each of the individual component units may be obtained at Metro Government's Department of Finance, 611 West Jefferson Street, Louisville, Kentucky, 40202.

**ii. Discretely Presented Component Units**

The Component Units column in the government-wide financial statements includes the financial data of Metro Government's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from Metro Government. The following six Component Units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

- Louisville Water Company ("LWC") - The LWC is a legally separate entity that provides water utility services to the residents of the metropolitan area and charges fees for those services. It is shown as a discretely presented component unit because the Metro Government is the sole shareholder,

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

receives a quarterly dividend, and the Mayor appoints a voting majority of the LWC's Board of Directors. Water and fire services valued at \$8,051,931 were provided to Metro Government in lieu of taxes during the year ended December 31, 2002. Complete financial statements of the LWC can be requested from the Louisville Water Company, 550 South Third Street, Louisville, KY 40202.

- Parking Authority of River City, Inc. ("PARC") - PARC is a non-profit corporation, which was established by the former City of Louisville to serve Metro Government's existing parking facility needs and to develop strategies for future needs. PARC also operates several parking garages in the downtown area. PARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to approve or overrule decisions of PARC in financing of new facilities and equipment. Complete financial statements of PARC can be requested from the Parking Authority of River City, 517 South Fourth Street, Louisville, KY 40202.
- Transit Authority of River City ("TARC") - TARC is a legally separate entity that operates the mass transit system in the metropolitan area. TARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to approve, disapprove, revise, amend, or otherwise alter the annual budget. Metro Government does not provide any funding to TARC, but it does administer the Mass Transit Trust Fund, which receives occupational tax revenues and remits those amounts to TARC. Payments to TARC from the Mass Transit Trust Fund for the fiscal year totaled \$33,573,672. Complete financial statements of TARC can be requested from the Transit Authority of River City, 1000 West Broadway, Louisville, KY 40203.
- Louisville and Jefferson County Riverport Authority ("Riverport") - Riverport is a legally separate entity that acquires, develops, and markets land for operation of a river port industrial complex. Riverport is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to impose its will on Riverport's decisions. Complete financial statements of Riverport can be requested from the Riverport Authority, 6900 Riverport Drive, Louisville, KY 40258.
- Metropolitan Sewer District ("MSD") - The MSD is a legally separate entity that operates to provide sewer services to the residents of the metropolitan area. The operations are supported by user fees. MSD is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to veto, overrule, or modify decisions of MSD regarding expansion of infrastructure and sewage facilities. Metro Government does not provide any

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
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**1. Summary of Significant Accounting Policies, continued**

funding to MSD. Complete financial statements of MSD can be requested from MSD, 700 West Liberty Street, Louisville, KY 40202.

- Louisville Science Center, Inc. ("LSC") - The LSC provides museum exhibits and scientific programs to the public. Financial support is received from admissions, merchandise sales, memberships, parking fees, donations, and an appropriation from Metro Government. It is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors; and during the year ended June 30, 2003, Metro Government paid \$811,400 as an appropriation to the LSC. Complete financial statements of LSC can be requested from Louisville Science Center, 727 West Main Street, Louisville, KY 40202.

**iii. Related Organizations**

- Louisville Metro Housing Authority - The Housing Authority is a legally separate entity that plans for the construction, operation and management of low cost housing projects within the metropolitan area. The Board consists of the Mayor and eight other members appointed by the Mayor and approved by the Metro Council. Financial support is received from the federal government and from fees. The Housing Authority serves as its own fiscal agent, and Metro Government is not financially accountable for the activities of the entity. Metro Government did not provide any funding to the Housing Authority for the year ended June 30, 2003.
- Regional Airport Authority of Louisville and Jefferson County ("RAA") - The RAA was created by state statute and is responsible for the operation of Louisville International Airport and Bowman Field, both located in Louisville. The Board consists of eleven members including the Mayor and the Kentucky Secretary of Commerce. Six are appointed by Metro Government, and three by the State. Metro Government does not provide any funding to the RAA.
- The Louisville and Jefferson County Convention and Visitors Bureau (the "Convention Bureau") - The Convention Bureau is a legally separate entity created by state statute and operates to promote convention and tourism activity in Louisville and Jefferson County. The Board consists of nine members, six of whom are appointed by Metro Government and three by the State. Metro Government does not provide any funding to the Convention Bureau, but the Convention Bureau received \$12,639,449 in transient room taxes collected by the Louisville/Jefferson County Revenue Commission.

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
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**1. Summary of Significant Accounting Policies, continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Metro Government allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the government-wide statement of activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, licenses, interest revenue and charges for services. Occupational taxes, fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Metro Government reports deferred revenue on its government-wide statement of net assets and fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by Metro Government before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when Metro Government has a legal claim to the

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

resources, the liability for deferred revenue is removed from the government-wide statement of net assets and fund financial statements, and revenue is recognized.

Funds are classified into three categories: governmental, proprietary and fiduciary.

Metro Government reports the following major governmental funds:

- The General Fund, Metro Government's primary operating fund, which accounts for all of the activities of the general government not required to be accounted for in another fund.
- The Special Revenue Fund, which accounts for the collection and disbursement of earmarked money.
- The Capital Projects Fund, which accounts for the acquisition or construction of general fixed assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. All of Metro Government's proprietary activities, except for the internal service fund, qualify and are reported as discretely presented component units; therefore, the primary government does not include a business-type activities column in the government-wide financial statements.

Internal service funds account for the cost of purchased insurance, the operation and administration of the Metro Government's self-insurance programs, and the cost of administering and collecting the Metro Government's occupational tax.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within Metro Government. Metro Government reports the following fiduciary funds:

- The Private Purpose Trust Fund is used to account for a discount loan program.
- The Pension Benefit and Trust Funds are used to account for the Firefighters' Pension Fund and the Policemen's Retirement Fund.
- Agency funds are used to account for assets that Metro Government holds on behalf of others as their agent.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**E. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund and special revenue fund. Budgeted amounts are as originally adopted by the City of Louisville Board of Aldermen and the Jefferson County Fiscal Court, adjusted for budget amendments approved by the Board of Aldermen and/or Fiscal Court through January 5, 2003, and the Metro Council January 6, 2003 through June 30, 2003. Management may amend the budget only to the extent of moving budgeted amounts within departments, not to exceed original budgeted amounts, as amended. Formal budgetary integration is not employed for the debt service fund because effective budgetary control is alternatively achieved through bond indenture provisions. All annual appropriations lapse at fiscal year-end, unless specifically identified in the budget ordinance. The special revenue fund includes some multi-year activities wherein unexpended budget amounts are automatically carried forward into the succeeding year. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities and are reappropriated in the following year.

**F. Deposits and Investments**

Cash and cash equivalents include amounts in demand deposits as well as various short-term investments, which consist of highly liquid investments with maturity of three months or less when purchased. State statutes authorize Metro Government to invest in instruments guaranteed by the U.S. Government or its agencies and in repurchase agreements with banks that conduct business in the state. The Firefighters' Pension Fund and the Policemen's Retirement Fund have no restrictions on the type of investments that they enter into as long as due diligence is exercised.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market values.

**G. Taxes Receivable**

Net taxes receivable not expected to be collected within sixty days after the close of the fiscal year, thus not available to pay current liabilities at June 30, 2003, have been recorded in the balance sheet of the general fund as deferred revenue.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

This is Metro Government's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 31, following year	5% penalty added
April 7, following year	10% interest plus 10% penalty added
May 1, following year	Delinquent date, \$16 penalty added to above

The Jefferson County Clerk collects personal property tax on vehicles when registered. The Jefferson County Sheriff bills and collects all property taxes on real estate and personal property excluding vehicles. Delinquent property bills are turned over to the County Clerk on May 1. Property tax revenues are recognized when levied to the extent that they result in current receivables.

Allowance for uncollectibles is composed of tax receivables which have been deemed uncollectible based on a trend analysis of collections over the past five fiscal years, and for loans receivable, based on an analysis which mainly considers payments past due.

**H. Interfund Receivables/Payables**

During the course of operations, certain transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. These accounts exist solely to balance transactions between funds, and are eliminated on the government-wide statement of net assets.

**I. Land Held for Development**

Land held for development is stated at cost. Land and related costs are capitalized as incurred and charged to operations as related parcels are sold or otherwise transferred.

**J. Inventories and Prepaid Items**

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of certain inventories are recorded as expenditures when purchased.

In the fund financial statements, reported inventories in the general fund are equally offset by a reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2003 are recorded in assets as prepaid items.

**K. Restricted Assets**

Certain assets are classified on the statement of net assets as restricted because their use is limited by applicable bond indentures or other legal provisions. Proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

restricted assets. Restricted cash and cash equivalents are included and used for their respective purposes.

Expenses that qualify for payment by either restricted or unrestricted assets are first paid using restricted assets.

**L. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Metro Government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful life</u>
Land improvements	20
Buildings	25-40
Machinery & equipment	5-12
Vehicles	4-20
Collections and Works of art	5-25
Infrastructure	10-40

**M. Compensated Absences**

Vested and accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported in the funds financial statements as an expenditure and a fund liability of the governmental fund that will pay it. In prior years the general fund typically has been used to liquidate these liabilities. In the government-wide statement of net assets, the total amount of vested or accumulated vacation leave is reported within the liabilities. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days. Earned vacation pay up to a maximum of 40 days is payable upon termination of employment.

In accordance with GASB Statement No. 16, *Accounting for Comensated Absences*, no liability is recorded for sick pay benefits. Sick leave, which has no maximum accumulation, is charged to expense when paid.

Qualified participants in the County Employee's Retirement System ("CERS"), under certain circumstances, are eligible to convert accrued sick pay benefits into additional credit for years of service.



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

**N. Long-term Debt and Obligations**

In the government-wide financial statements, proprietary fund types in the fund financial statements and component units, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or other financing uses, respectively, and issuance costs are reported as debt service expenditures.

**O. Claims and Judgments Payable**

Claims and judgments payable represents estimates for medical, automobile liability, workers' compensation, and other claims incurred as of June 30, 2003. This liability includes both reported and unreported events. This amount was determined by Metro Government's management and also includes actuarially determined amounts by Metro Government's independent insurance administrators.

**P. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Q. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

**R. Reserved Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**S. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies, continued**

**T. Louisville Water Company Dividends**

The Louisville Water Company ("LWC") has a quarterly dividend policy. Because the reporting period of the LWC covers the year ended December 31, 2002, a timing difference arises and causes a difference in the dividends paid and received as illustrated by the following schedule:

Date paid	Component Unit Dividends Paid	Revenue Commission Dividends Received
March 31, 2002	\$ 3,052,095	-
June 30, 2002	3,052,095	-
September 30, 2002	3,052,095	\$ 3,052,075
December 31, 2002	3,223,338	3,223,338
March 31, 2003	-	3,079,708
June 30, 2003	-	2,900,785
	<u>\$ 12,379,623</u>	<u>\$ 12,255,906</u>

**2. Prior Period Adjustments**

Beginning balances of net assets in the government-wide statements have been restated to reflect a correction in beginning capital assets in the amount of \$266,922,099. Zoo animal collections valued at approximately \$618,264 net of depreciation are no longer considered a classification of capital assets. This is considered a prospective change in accounting estimate; therefore no restatement of fund balance is necessary. Any funds received from the sale of animals are held and used for the replacement of the animals. In addition, the debt service component of the Public Properties Corporation has been reclassified from a business-type proprietary fund to a governmental debt service fund, requiring a restatement of beginning fund balance of \$1,153,530.

**3. Legal Compliance - Budgets**

In early March of each year, Metro Government departments are required to submit operating and capital funding requests to the Mayor. The Budget Office, acting as staff for the Mayor, reviews the requested expenditures with each department in the context of available funds, Metro Government priorities, and related project revenues. By June 1, the Mayor presents his recommended operating and capital budgets to the Metro Council.

During the month of June, the Metro Council conducts public budget hearings. The Metro Council may increase or decrease the recommended budget so long as legal compliance is maintained. The Metro Council is required to enact the budget by July 1.

Revenue estimates are reviewed monthly or quarterly and adjusted as needed. Various supplemental appropriations (or appropriation reductions) are made throughout the year, subject to maintenance of legal compliance. During the year, supplemental appropriations were necessary. The effect of supplemental appropriations, as viewed from an overall budget perspective, is that a balanced budget (as required by state constitution) is always maintained because either additional estimated revenues are available or appropriation reductions are implemented.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**3. Legal Compliance – Budgets, continued**

Operating budget appropriations are made and controlled at the department level. Capital budgets are appropriated and monitored by department and project.

**4. Deposits, Investments, and Concentrations of Credit Risk**

Metro Government maintains a cash and cash equivalent pool that is available for use by a majority of Metro Government's funds. Jefferson County Fiscal Court's cash and cash equivalents were not part of this investment pool. Each fund's portion of the pool is displayed on the governmental funds' balance sheet as "cash and cash equivalents." In addition, deposits and investments are separately held by several of Metro Government's funds.

**Deposits**

Deposits are categorized into these three categories of credit risk:

- (A) Insured or collateralized with securities held by Metro Government or its agent in Metro Government's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in Metro Government's name.
- (C) Uncollateralized.

At June 30, 2003, deposits were as follows:

	Category			Bank Balance	Carrying Amount
	A	B	C		
Cash and cash equivalents:					
Primary Government	\$ 4,424,390	\$ 3,870,564		\$ 8,294,954	\$ 2,335,576
Component Units	7,087,789	2,591,782		9,679,571	7,555,696
	<u>\$ 11,512,179</u>	<u>\$ 6,462,346</u>	<u>-</u>	<u>\$ 17,974,525</u>	<u>\$ 9,891,272</u>

**Investments**

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, with securities held by Metro Government or its agent in Metro Government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in Metro Government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in Metro Government's name.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**4. Deposits, Investments, and Concentrations of Credit Risk, continued**

At June 30, 2003, investment balances for Metro Government and its discretely presented component units were as follows:

	Category			Fair value
	1	2	3	
<b>Primary Government:</b>				
Repurchase agreements	\$ 14,455,000			\$ 14,455,000
U.S. Government obligations	56,193,647	\$ 1,483,885		57,677,532
U.S. Agency obligations	140,561,117	1,255,697		141,816,814
Foreign bonds		150,540		150,540
Tax exempt state & municipal bonds	8,319,700			8,319,700
Corporate bonds		3,345,567		3,345,567
Equity securities		20,590,365		20,590,365
Collateralized mortgage obligations		316,288		316,288
Total subject to categorization	<u>219,529,464</u>	<u>27,142,342</u>		<u>246,671,806</u>
Investments not subject to categorization:				
Money market funds				41,720,188
Real estate limited partnership				236,888
Total not subject to categorization				<u>41,957,076</u>
Total investments, Primary Government				<u>288,628,882</u>
<b>Component Units:</b>				
Repurchase agreements	1,505,167	134,308,191		135,813,358
Certificates of deposit		131,590		131,590
Money market investments		30,701,533		30,701,533
Commercial paper		5,071,000		5,071,000
U.S. Government obligations	27,599,117	72,663,912		100,263,029
Total subject to categorization	<u>29,104,284</u>	<u>242,876,226</u>		<u>271,980,510</u>
Investments not subject to categorization:				
Interest bearing deposit with Kentucky Infrastructure Authority				6,250,000
Total not subject to categorization				<u>6,250,000</u>
Total investments, Component Units				<u>278,230,510</u>
<b>Total investments, reporting entity</b>	<u><b>\$ 248,633,748</b></u>	<u><b>\$ 270,018,568</b></u>		<u><b>\$ 566,859,392</b></u>

Except for the Louisville Water Company, whose fiscal year ended December 31, 2002, Metro Government's discretely presented component units also have fiscal years ending June 30, 2003.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**4. Deposits, Investments, and Concentrations of Credit Risk, continued**

A reconciliation of cash and investments on the government-wide statement of net assets follows:

	<b>Primary Government</b>	<b>Component Units</b>	<b>Reporting Entity</b>
Carrying amount of deposits	\$ 2,335,576	\$ 7,555,696	\$ 9,891,272
Carrying amount of investments	288,628,882	278,230,510	566,859,392
Total	<u>290,964,458</u>	<u>285,786,206</u>	<u>576,750,664</u>
 Cash and cash equivalents	 \$ 21,170,674	 \$ 23,363,354	 \$ 44,534,028
Investments	196,273,222	16,023,489	212,296,711
Deposit with paying agent	85,000		85,000
Restricted assets:			
Cash and cash equivalents	21,948,246	117,479,124	139,427,370
Investments	1,097,063	128,519,308	129,616,371
Fiduciary fund cash	11,809,781		11,809,781
Fiduciary fund investments	38,580,472		38,580,472
Total	<u>\$ 290,964,458</u>	<u>\$ 285,385,275</u>	<u>\$ 576,349,733</u>

The carrying amounts shown in the component unit section above exceed the total shown on the statement of net assets by \$400,931. Transit Authority of River City, Inc. (TARC) reported the carrying amount of its deposits as \$266,087 instead of (\$76,252), which accounted for \$342,339 of this difference. In addition, \$58,592 of cash was included on TARC's statement of net assets as accounts receivable instead of cash.

**Concentrations of Credit Risk**

Financial instruments, which potentially subject Metro Government to concentrations of credit risk, consist principally of temporary cash investments, taxes receivable and receivables from the federal and state governments.

Metro Government places its temporary cash investments with high credit quality financial institutions, and by policy, limits the amount of credit exposure to any one financial institution. Concentration of credit risk with respect to the receivables from the federal and state governments is limited due to the historical stability of those institutions.

Although Metro Government has taxes receivable from a variety of constituents, a substantial portion of the debtors' ability to honor this debt is dependent upon the widely diverse economic environment of the state and local area. However, property taxes attach as an enforceable lien on real property as of the date the taxes become delinquent.

**5. Disaggregation of Accounts Receivable and Accounts Payable**

Accounts receivable are amounts owed to Metro Government as of June 30, 2003. Those amounts to be received within one year are considered current. All others are considered noncurrent.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**5. Disaggregation of Receivables and Payables, continued**

Receivables at June 30, 2003 for Metro Government's individual major funds and other governmental, internal service, and fiduciary funds in the aggregate, including allowance for uncollectibles, are as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Govern- mental Funds</b>	<b>Total</b>	<b>Component Units</b>
Receivables:						
Interest	\$ 826,814	\$ 4,467			\$ 831,281	
Taxes	6,233,365				6,233,365	
Accounts	18,631,456	4,033,991	\$ 40,349	\$ 484,131	23,189,927	\$ 30,200,064
Loans	3,162,299	12,627,690	10,206,541		25,996,530	
Gross receivables	28,853,934	16,666,148	10,246,890	484,131	56,251,103	30,200,064
Less allowance for uncollectibles	1,785,694	5,278,170			7,063,864	
Net total receivables	<u>\$ 27,068,240</u>	<u>\$ 11,387,978</u>	<u>\$ 10,246,890</u>	<u>\$ 484,131</u>	<u>\$ 49,187,239</u>	<u>\$ 30,200,064</u>

Accounts payable are amounts owed by Metro Government as of June 30, 2003. Those liabilities to be paid within one year are considered current. All others are considered noncurrent.

Payables at June 30, 2003 for Metro Government's individual major funds and other governmental, internal service, and fiduciary funds in the aggregate, are as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Govern- mental Funds</b>	<b>Total</b>	<b>Component Units</b>
Payables:						
Vendors	\$ 14,070,445	\$ 5,191,607	\$ 4,347,024	\$ 289,621	\$ 23,898,697	\$ 15,270,724
Tax refunds	1,157			4,404	5,561	
Other	2,294,200			5,892	2,300,092	
	<u>\$ 16,365,802</u>	<u>\$ 5,191,607</u>	<u>\$ 4,347,024</u>	<u>\$ 299,917</u>	<u>\$ 26,204,350</u>	<u>\$ 15,270,724</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2003 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
Governmental activities:			
Capital assets not being depreciated:			
Land	\$ 270,495,561	\$ 3,753,203	
Land improvements	3,848,122		
Construction in progress	23,584,824	19,598,975	\$ (10,184,290)
Works of art	250,000		
Total capital assets not being depreciated	298,178,507	23,352,178	(10,184,290)
Other capital assets:			
Land improvements	67,227,830	9,655,127	
Buildings	316,777,423	3,630,186	(1,531,743)
Machinery and equipment	47,215,841	2,410,943	(323,373)
Vehicles	86,180,329	7,124,678	(1,920,193)
Collections & Works of art	27,556,617	1,739,938	(1,236,189)
Infrastructure	846,587,024	9,392,460	
Total other capital assets at historical cost	1,391,545,064	33,953,332	(5,011,498)
Less accumulated depreciation for:			
Land improvements	(20,065,088)	(2,820,690)	
Buildings	(90,957,946)	(6,770,510)	1,076,238
Machinery and equipment	(28,422,184)	(5,752,765)	300,568
Vehicles	(49,670,586)	(9,274,620)	1,775,222
Collections & Works of art	(20,728,960)	(2,476,511)	1,236,189
Infrastructure	(552,413,962)	(38,908,863)	
Total accumulated depreciation	(762,258,726)	(66,003,959)	4,388,217
Other capital assets, net	629,286,338	(32,050,627)	(623,281)
Governmental activities capital assets, net	\$ 927,464,845	\$ (8,698,449)	\$ (10,807,571)
			\$ 907,958,825

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**6. Capital Assets, continued**

Depreciation expense was charged to governmental activities as follows:

General Government	
Mayor's Office	\$ 18,741
County Attorney	3,032
Other Elected Officials	206,666
Finance Department	3,360
Information Technology	203,420
Human Resources Department	194
Police Department	778,961
Fire Department	1,229,738
County Emergency Medical Services	66,673
Emergency Management	2,099,987
Corrections Department	1,840,050
Public Works Department	51,523,290
Solid Waste Management Services	8,509
Inspections, Permits and Licenses	7,793
Animal Control Services	13,627
Parks Department	657,204
Louisville Free Public Library	2,585,242
Louisville Zoological Gardens	913,725
Metro Development Authority	1,317,933
Housing Department	21,051
Air Pollution Control	114,592
Waterfront Development Corporation	2,200,283
Redevelopment Authority	1,213
Health Department	170,886
Workforce Investment Board	17,789
Total depreciation expense	<u>\$ 66,003,959</u>

In addition, depreciation on capital assets held by the government's internal service funds, is charged to the various functions based on their usage of the assets.

Continued



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**6. Capital Assets, continued**

Capital asset activity for the Louisville Water Co. for the year ended December 31, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,416,367	\$ 358,197		\$ 5,774,564
Construction in progress	49,682,614	66,872,227	\$ (69,263,447)	47,291,394
Total capital assets not being depreciated	55,098,981	67,230,424	(69,263,447)	53,065,958
Other capital assets:				
Buildings	15,041,288	99,234	(2,417,228)	12,723,294
Machinery and equipment	31,282,726	3,017,817	(1,892,467)	32,408,076
Infrastructure	638,823,028	63,140,471	(1,892,686)	700,070,813
Total other capital assets at historical cost	685,147,042	66,257,522	(6,202,381)	745,202,183
Less accumulated depreciation for:				
Buildings	(2,733,821)	(367,242)	1,537,151	(1,563,912)
Machinery and equipment	(17,764,344)	(3,224,731)	1,119,634	(19,869,441)
Infrastructure	(176,680,429)	(12,189,273)	479,880	(188,389,822)
Total accumulated depreciation	(197,178,594)	(15,781,246)	3,136,665	(209,823,175)
Other capital assets, net	487,968,448	50,476,276	(3,065,716)	535,379,008
Capital assets, net	\$ 543,067,429	\$ 117,706,700	\$ (72,329,163)	\$ 588,444,966

Capital asset activity for the Parking Authority of River City, Inc., for the year ended June 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,804,855		\$ (500,000)	\$ 9,304,855
Construction in progress	5,009,864	\$ 2,516,891		7,526,755
Total capital assets not being depreciated	14,814,719	2,516,891	(500,000)	16,831,610
Other capital assets:				
Land improvements	9,059,631	281,038	(130,991)	9,209,678
Buildings	51,509,784	9,178,811	(3,748,960)	56,939,635
Machinery and equipment	3,482,821		(211,806)	3,271,015
Total other capital assets at historical cost	64,052,236	9,459,849	(4,091,757)	69,420,328
Less accumulated depreciation for:				
Land improvements	(3,062,051)	(1,577,495)	40,528	(4,599,018)
Buildings	(20,107,520)	(973,466)	1,295,338	(19,785,648)
Machinery and equipment	(1,304,798)	(383,379)	54,415	(1,633,762)
Total accumulated depreciation	(24,474,369)	(2,934,340)	1,390,281	(26,018,428)
Other capital assets, net	39,577,867	6,525,509	(2,701,476)	43,401,900
Capital assets, net	\$ 54,392,586	\$ 9,042,400	\$ (3,201,476)	\$ 60,233,510

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**6. Capital Assets, continued**

Capital asset activity for the Transit Authority of River City, Inc., for the year ended June 30, 2003 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,774,190			\$ 2,774,190
Other capital assets:				
Buildings	20,964,776	\$ 2,295,556		23,260,332
Machinery and equipment	37,583,680	14,827,390	\$ (12,325,073)	40,085,997
Vehicles	69,240,345	5,351,771		74,592,116
Total other capital assets				
at historical cost	127,788,801	22,474,717	(12,325,073)	137,938,445
Less accumulated depreciation	(66,624,945)	(16,140,308)	12,325,073	(70,440,180)
Other capital assets, net	61,163,856	6,334,409	-	67,498,265
Capital assets, net	<u>\$ 63,938,046</u>	<u>\$ 6,334,409</u>	<u>\$ -</u>	<u>\$ 70,272,455</u>

Capital asset activity for the Riverport for the year ended June 30, 2003 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land and improvements	\$ 8,335,803	\$ 9,835	\$ (77,099)	\$ 8,268,539
Other capital assets:				
Buildings	28,794,096	50,406		28,844,502
Other	172,745	4,925		177,670
Total other capital assets				
at historical cost	28,966,841	55,331	-	29,022,172
Less accumulated depreciation for:				
Buildings	(10,779,266)	(814,779)		(11,594,045)
Other	(93,674)	(17,978)		(111,652)
Total accumulated depreciation	<u>(10,872,940)</u>	<u>(832,757)</u>	<u>-</u>	<u>(11,705,697)</u>
Other capital assets, net	18,093,901	(777,426)	-	17,316,475
Capital assets, net	<u>\$ 26,429,704</u>	<u>\$ (767,591)</u>	<u>\$ (77,099)</u>	<u>\$ 25,585,014</u>

Capital asset activity for Metropolitan Sewer District for the year ended June 30, 2003 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Construction in progress	\$ 411,570,000	\$ 109,491,000	\$ (116,025,000)	\$ 405,036,000
Other capital assets:				
Infrastructure	1,391,498,000	141,429,000	(6,318,000)	1,526,609,000
Less accumulated depreciation	(366,204,000)	(35,117,000)	2,594,000	(398,727,000)
Other capital assets, net	1,025,294,000	106,312,000	(3,724,000)	1,127,882,000
Capital assets, net	<u>\$ 1,436,864,000</u>	<u>\$ 215,803,000</u>	<u>\$ (119,749,000)</u>	<u>\$ 1,532,918,000</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**6. Capital Assets, continued**

Capital asset activity for the Louisville Science Center for the year ended June 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Exhibits in progress	\$ 125,056	\$ 276,025		\$ 401,081
Other capital assets:				
Leasehold improvements	3,870,274	160,177		4,030,451
Machinery and equipment	1,665,377	32,469		1,697,846
Museum exhibits	13,771,043	71,737		13,842,780
Total other capital assets				
at historical cost	19,306,694	264,383		19,571,077
Less accumulated depreciation	(7,403,495)	(1,468,178)		(8,871,673)
Other capital assets, net	11,903,199	(1,203,795)		10,699,404
Capital assets, net	<u>\$ 12,028,255</u>	<u>\$ (927,770)</u>		<u>\$ 11,100,485</u>

**7. Land Held for Development**

Land held for development at June 30, 2003, is summarized as follows:

	<u>Capital Projects Fund</u>	<u>Riverport Authority</u>
Land held for development	<u>\$ 487,580</u>	<u>\$ 7,209,302</u>

In the Capital Projects Fund, as part of the effort to attract additional business to the metro area, the CEDC and the EDC enter into agreements with private employers to facilitate the acquisition of real estate needed for constructing new facilities. Under the agreements, the corporations purchase certain land and resell a portion of it to the employers. The corporations obtain deposits from the employers on future land sales and intend to sell the remaining parcels to other employers under similar arrangements.

**8. Risk Management**

Metro Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability exposures; injuries to employees; and natural disasters. The Insurance and Risk Management Fund ("Fund"), an internal service fund, was established in 1976 to consolidate all of the former City's insurance or self-insurance under a comprehensive risk management program. Under merger, this program now includes all Metro Government departments including Parking Authority of River City (PARC) and includes the former Jefferson County Fiscal Court Risk Management Fund established in 1974. The Fund consists of a comprehensive self-insurance program relating to the following:

- (A) Automobile Liability: Self-insured up to \$300,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust ("LAGIT"). The former Jefferson County Fiscal Court government was self insured for this exposure entirely.
- (B) Worker's Compensation (covering all employees): Self-insured up to \$300,000 per occurrence. Excess coverage is purchased above this retained level.
- (C) Unemployment Compensation: Completely self-insured.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**8. Risk Management, continued**

- (D) Group Health Coverage: Various programs including HMO and PPO are available as options to all eligible Metro Government employees.
- (E) General Liability: Various general liability exposures (including public official liability, law enforcement liability, medical professional liability, employers liability, and employment practices liability), self-insured up to a \$300,000 deductible per occurrence. Employer's liability has a \$1,300,000 per occurrence deductible (\$1,000,000 limit of liability above a \$300,000 self-insured retention is provided on an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT for both the former City and former Jefferson County Fiscal Court exposures as of January 6, 2003. Prior to this time, the former City was self insured as above with LAGIT excess coverage in place. The former Jefferson County Fiscal Court was completely self-insured for liability exposures except for medical malpractice, watercraft, aircraft and certain premises exposures.
- (F) Automobile Physical Damage: The former City was self-insured with a retention of \$100,000 per occurrence. Excess coverage is purchased for catastrophic losses through Louisville Area Governmental General Insurance Trust (LAGGIT) formed in 2002. The former Jefferson County Fiscal Court maintained various types of insurance coverage with various deductibles.
- (G) Real and Business Personal Property: The former City was self-insured with a deductible of \$250,000 per occurrence, except for flood coverage which carries a deductible of \$250,000 in addition to the amount of insurance available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis for all former City properties under the Louisville Area Governmental General Insurance Trust (LAGGIT). The former Jefferson County Fiscal Court properties were insured under a blanket insurance policy with a deductible of \$25,000 except for Earthquake which carried a \$100,000 deductible and Flood Zone "A" which carried a deductible equal to the amount of insurance available under the National Flood Insurance Program, whether purchased or not.

Revenues come from either Metro Government's general fund or from former City interagency charges developed through an independent actuarial study each year. Revenues are forecasted to match expenses, which include estimated incurred losses for both known and incurred but not reported claims, premiums for excess insurance coverage to complement the self-insurance programs, various taxes and assessments, and administrative operating expenses.

It is the former City's policy to fund its reserves fully for all property and liability exposures by charging to expense the estimated reserve amounts anticipated for claims reported during the fiscal period in which the claim occurs. An additional expense is charged at the end of the fiscal period for claims, which are anticipated to have occurred during the period, but have not yet been reported. Former Jefferson County Fiscal Court policy is to fund expected claims out of current year operating budgets.

In addition to the comprehensive self-insurance programs mentioned above, Metro Government purchases various types of primary insurance coverage, including government crime coverage (employee dishonesty and faithful performance coverages), aircraft and

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**8. Risk Management, continued**

watercraft liability and hull coverage and long-term disability coverage for full-time employees.

The claims liability of \$16,097,478 reported in the Insurance and Risk Management Fund (Internal Service Fund) at June 30, 2003 is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*. Claims liabilities are estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses; allocated loss adjustments; and are reduced for estimated recoveries on unsettled claims. Changes in the Fund's claims liability amount in fiscal years 2002 and 2003 were as follows:

Year ending June 30	Balance Beginning of year	Claims and Changes in Estimates	Claim Payments	Balance End of year
2002	\$ 11,369,559	\$ 9,641,242	\$ 7,744,209	\$ 13,266,592
2003	\$ 13,266,592	\$ 8,417,385	\$ 5,586,499	\$ 16,097,478

Metro Government is also a member of LAGIT (for liability exposures) and the former City is a member of LAGGIT (for property exposures) which are separate risk-sharing mechanisms formed for public entities located in Jefferson County, Kentucky. The Metro Risk Management Division has the administrative responsibility for actual operations of LAGIT and LAGGIT. For this service, Metro Government receives an annual administrative fee of \$117,274 of which \$19,040 was transferred to the County Attorney's Office for legal services.

Metro Government has not had any settled claim that has exceeded the above coverages in any of the past three fiscal years except that the former Jefferson County Fiscal Court did settle a class action liability claim out of general funds, which exceeded expected costs in fiscal year 2000.

The Louisville Water Company (LWC), Metropolitan Sewer District (MSD) and The Transit Authority of River City (TARC) have established and administer self-insurance programs in the areas of automobile liability, general liability, Employee Dishonesty, Workers' Compensation and real and personal property with various retentions and deductibles. Automobile liability and general liability as well as real and personal property excess insurance is maintained through the LAGIT and LAGGIT programs.

The Louisville Science Center (LSC) maintains insurance programs to protect their personal property, employee dishonesty and automobile liability exposures as well as their Workers' Compensation exposure. Metro Government, by contract, is responsible for their primary general liability exposures. Excess coverage is purchased through the LAGIT program by LSC.

Riverport maintains insurance programs to protect their real and personal property, employee dishonesty and automobile liability exposures as well as their Workers' Compensation exposure.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt**

**A. Primary Government**

Upon merger, Metro Government assumed all long-term debt of the former City of Louisville and Jefferson County. Prior to merger, the City and County each issued General Obligation Bonds and First Mortgage and Lease Revenue Bonds and notes to provide funds for the acquisition and construction of major capital facilities or to refund prior bond issues. The General Obligation bonds are direct obligations and pledge the full faith and credit of Metro Government.

There are \$257,421,000 of General Obligation Bonds outstanding at June 30, 2003. The primary collateral for the General Obligation Bonds is the occupational license tax and net profits license tax collected by the Louisville/Jefferson County Revenue Commission. The Revenue Commission is the fiscal agent for general obligation bonded debt issued by the City of Louisville before January 6, 2003, and by Metro Government thereafter. Metro Government is the fiscal agent for general obligation bonded debt issued before January 6, 2003 by Jefferson County Fiscal Court. Metro Government's general fund is contingently liable as guarantor of the general obligation bonded debt. Bonds issued during the year ended June 30, 2003 include \$47,450,000 of City of Louisville General Obligation Bonds, Series 2002A Exempt and Series 2002B Taxable, issued in October 2002. The bonds bear interest at 3.0% to 6.05%, and mature in varying amounts through 2022. Proceeds are being used for property acquisition, demolition, and construction of a Marriott Hotel downtown. There are also \$31,070,000 of Jefferson County General Obligation Serial Coupon Bonds, Series 2002A, bearing interest at 3.0% to 4.75%, maturing in varying amounts through 2020, and \$16,450,000 of Series 2002B, bearing interest at 2.75% to 3.0%, maturing in varying amounts through 2007. Proceeds of both series are being used to defease various Jefferson County general obligation bonds and Capital Project Corporation lease revenue bonds.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

General Obligation Bonds outstanding, including accreted interest, at June 30, 2003 are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity	Debt Outstanding June 30, 2003
City of Louisville General Obligation				
Serial Bonds:				
Refunding Bonds, Series 1998A	\$ 25,650	3.750 to 4.50 %	2018	\$ 22,040
Series 2001A	13,490	3.50 to 5.00	2021	13,040
Series 2002A Exempt	38,900	3.00 to 5.00	2023	38,900
Series 2002B Taxable	8,550	3.00 to 6.05	2023	8,550
Jefferson Co. General Obligation				
Bonds:				
1998A Serial Bonds	28,650	4.00 to 4.90	2019	24,580
1999A Serial & Term Bonds	8,800	4.50 to 6.00	2020	2,050
1999B Serial & Term Bonds	6,790	4.50 to 6.00	2020	3,360
1999C Serial & Term Bonds	15,265	5.375 to 6.15	2016	12,910
2000A Term & Coupon Bonds	2,595	7.70	2016	2,205
2000B Capital Appreciation Bonds	50,096	4.90 to 6.00	2015	48,536
2001A Current Interest Bonds	36,900	5.00 to 5.50	2012	31,300
2001B Current Interest Bonds	2,885	5.00 to 5.50	2011	2,430
2002A Serial Coupon	31,070	3.00 to 4.75	2020	31,070
2002B Serial Coupon	16,450	2.75 to 3.00	2008	16,450
Total general obligation bonds				<u>\$ 257,421</u>

Debt service requirements to maturity, not including accreted interest, for General Obligation Bonds are as follows (in thousands):

Year ending	Principal	Interest	Total
<u>June 30</u>			
2004	\$ 13,400	\$ 10,182	\$ 23,582
2005	19,486	9,957	29,443
2006	19,811	9,623	29,434
2007	20,239	9,260	29,499
2008	18,917	8,874	27,791
2009-2013	78,996	37,863	116,859
2014-2018	50,293	18,583	68,876
2019-2023	24,525	3,599	28,124
2024-2028	3,605	94	3,699
Totals	<u>\$ 249,272</u>	<u>\$ 108,035</u>	<u>\$ 357,307</u>

There are \$131,181,000 of First Mortgage and Lease Revenue Bonds outstanding at June 30, 2003. They are collateralized by mortgages on improvements to facilities acquired or constructed with debt proceeds. Annual debt service requirements are provided from the general fund in amounts pursuant to contracts and lease arrangements.

Series 1998 of First Mortgage Revenue Refunding Bonds were issued to refinance the earlier acquisition of certain downtown properties. On December 28, 1995 the City of Louisville Public Properties Corporation ("Corporation") sold one of these parcels to the Louisville and Jefferson County Convention and Visitors Commission ("Commission").

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

In exchange for the property, the Corporation received \$5,337,124 in Subordinate Series C bonds issued by the Commission. These Series C bonds, which are owned and held by the Corporation, are included as an asset on the balance sheet of the Corporation within the nonmajor funds. Interest on these bonds is accreted at an annual rate of six percent, and the accreted value was \$8,319,700 as of June 30, 2003. The Commission will begin paying interest and principal to the Corporation after the Commission retires four other of its bond issues (Series 1995A, 1996B, 1997BB and 1999BBB), which were issued in connection with the Subordinate Series C bonds.

First Mortgage and Lease Revenue Bonds outstanding, including accreted interest, at June 30, 2003 are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity	Debt Outstanding June 30, 2003
City of Louisville Public Properties				
Corporation First Mortgage Bonds:				
Refunding Revenue Bonds, Series February 1992	\$ 4,650	6.00 %	2005	\$ 945
Revenue Bonds, Series 1993 A	1,965	5.20 to 5.50	2013	1,210
Revenue Refunding Bonds, Series 1998	13,090	4.20 to 5.00	2022	11,295
Revenue Bonds, Second Series 1998	23,200	5.10 to 6.375	2018	20,385
Jefferson Co. Lease Revenue Bonds:				
1992A Current Interest Bonds		5.50 to 6.10	2008	2,575
1992A Municipal Multiplier Term Bonds		6.75 to 7.00	2018	34,051
1997 Current Interest Bonds		5.20 to 5.50	2028	60,720
Total First Mortgage and Lease Revenue Bonds				<u>\$ 131,181</u>

Debt service requirements to maturity, not including accreted interest, for First Mortgage and Lease Revenue Bonds are as follows (in thousands):

Year ending	Principal	Interest	Total
<u>June 30</u>			
2004	\$ 5,510	\$ 5,196	\$ 10,706
2005	3,090	4,969	8,059
2006	2,740	4,805	7,545
2007	2,885	4,661	7,546
2008	3,659	5,525	9,184
2009-2013	26,535	40,334	66,869
2014-2018	29,800	41,795	71,595
2019-2023	20,525	8,309	28,834
2024-2028	19,150	3,273	22,423
Totals	<u>\$ 113,894</u>	<u>\$ 118,867</u>	<u>\$ 232,761</u>



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

Notes payable outstanding at June 30, 2003 are as follows (in thousands):

Description of Issue	Interest Rate	Maturity	Debt Outstanding June 30, 2003
IBM Credit Corporation	5.05 %	2008	\$ 887
Union Trust Project	88% of prime	2007	150
Total Notes payable			<u>\$ 1,037</u>

Debt service requirements to maturity for notes payable are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2004	\$ 229	\$ 47	\$ 276
2005	239	36	275
2006	250	24	274
2007	261	11	272
2008	58	1	59
Totals	<u>\$ 1,037</u>	<u>\$ 119</u>	<u>\$ 1,156</u>

**B. Discretely Presented Component Units**

**Louisville Water Company**

The Louisville Water Company ("LWC") had \$78,500,000 in Water System Revenue Bonds, Series 2000, \$54,725,000 in Water System Refunding Bonds, Series 2001, \$744,268 in various Kentucky Infrastructure Authority loans and notes, and \$490,000 in GMAC bonds outstanding at December 31, 2002.

The Series 2000 bonds mature annually in amounts ranging from \$990,000 to \$5,870,000 from November 15, 2003 through 2025 and bear interest at rates ranging from 5.0% to 5.5%. The Series 2001 bonds mature annually in amounts ranging from \$3,495,000 to \$5,845,000 from November 15, 2002 through 2014 and bear interest at rates ranging from 4.0% to 4.7%.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

Annual debt service requirements to maturity for Water System Revenue Bonds are as follows (in thousands):

<u>Year ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 4,485	\$ 6,486	\$ 10,971
2004	5,080	6,288	11,368
2005	5,900	6,062	11,962
2006	6,210	5,795	12,005
2007	6,495	5,515	12,010
2008-2012	37,490	22,766	60,256
2013-2017	28,510	13,875	42,385
2018-2022	22,370	8,104	30,474
2023-2025	16,685	1,828	18,513
Totals	<u>\$ 133,225</u>	<u>\$ 76,719</u>	<u>\$ 209,944</u>

**Parking Authority of River City, Inc. ("PARC")**

The Parking Authority of River City, Inc. ("PARC"), an Enterprise Fund and a nonprofit corporation established by the City to assist in the development of the downtown riverfront area and other areas within the inner city, has \$25,320,000 of First Mortgage Revenue Refunding Bonds Series 1997, \$11,655,000 of First Mortgage Revenue Refunding Bonds Series 2001, and \$19,360,000 of First Mortgage Revenue Bonds Series 2002 outstanding at June 30, 2003, less \$3,457,530 of unamortized discount and loss on bond refunding, equalling \$52,877,470 of outstanding debt shown on the statement of net assets. The Series 2002 bonds were issued in December 2002, and the proceeds are being used for construction of a parking garage at the Muhammad Ali Center and completion of construction and improvements to other existing parking garages.

The Series 1997 bonds mature annually in amounts ranging from \$1,886,808 to \$876,375 from December 1, 2003 through December 1, 2020 and bear interest ranging from 4.0% to 5.0%. The Series 2001 bonds mature semi-annually in amounts ranging from \$611,799 to \$603,644 from December 1, 2003 through December 1, 2020 and bear interest ranging from 3.5% to 4.625%. The Series 2002 bonds mature semi-annually in amounts ranging from \$440,801 to \$1,363,250 from December 1, 2003 through June 1, 2032 and bear interest ranging from 2.5% to 5.0%.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

Annual debt service requirements to maturity for PARC Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2004	\$ 2,135	\$ 2,535	\$ 4,670
2005	2,220	2,450	4,670
2006	2,510	2,360	4,870
2007	2,610	2,257	4,867
2008	2,715	2,147	4,862
2009-2013	15,500	8,814	24,314
2014-2018	12,530	5,174	17,704
2019-2023	6,170	3,192	9,362
2024-2028	4,990	1,997	6,987
2029-2033	4,955	635	5,590
Totals	<u>\$ 56,335</u>	<u>\$ 31,561</u>	<u>\$ 87,896</u>

**Louisville and Jefferson County Riverport Authority ("Riverport")**

Riverport has a loan payable to the Kentucky Economic Development Cabinet in connection with the construction of a bulk commodity terminal facility. The loan is payable annually through 2007 and bears interest at the rate of 5.5% per annum. Loan payments are waived if Riverport's gross proceeds are insufficient to cover port operator expenses and debt service in a given year. All loan payments were waived for the fiscal year ended June 30, 2003.

Annual debt service requirements for the loan payable are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2004	\$ 27	\$ 6	\$ 33
2005	28	5	33
2006	30	3	33
2007	32	2	34
Totals	<u>\$ 117</u>	<u>\$ 16</u>	<u>\$ 133</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

**Metropolitan Sewer District ("MSD")**

MSD has various bonds outstanding as listed in the following table (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity	Debt Outstanding June 30, 2003
<b>Sewer and Drainage System</b>				
Revenue Bonds:				
Series 1994A	\$ 65,695	6.75 to 8.00 %	2025	\$ 1,375
Series 1996A	47,715	5.20 to 8.00	2026	44,820
Series 1997A	51,245	5.25 to 6.00	2027	49,080
Series 1997B	68,350	4.00 to 5.20	2025	68,215
Series 1998A	260,000	4.25 to 9.00	2030	254,790
Series 1999A	300,000	5.25 to 6.50	2033	298,740
Series 2001A	300,000	5.00 to 5.50	2036	300,000
Series 2003A and 2003B	191,000	variable	2023	191,000
Subordinated Sewer Revenue Bonds	830	5.00 to 5.25	2004	65
Total Sewer and Drainage System Revenue Bonds				<u>\$ 1,208,085</u>

Annual debt service requirements to maturity for Sewer and Drainage System Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2004	\$ 13,092	\$ 63,389	\$ 76,481
2005	15,303	62,317	77,620
2006	16,170	61,417	77,587
2007	17,105	60,459	77,564
2008	18,090	59,445	77,535
2009-2013	105,065	282,317	387,382
2014-2018	132,595	254,137	386,732
2019-2023	170,340	217,883	388,223
2024-2028	221,595	169,668	391,263
2029-2033	286,255	105,079	391,334
2034-2036	212,475	21,940	234,415
Totals	<u>\$ 1,208,085</u>	<u>\$ 1,358,051</u>	<u>\$ 2,566,136</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**9. Long-Term Debt, continued**

**C. Summary of Debt Transactions:**

Long-term liability activity for the year ended June 30, 2003 was as follows (in thousands):

	Beginning Balance	Additions and Accreted Interest	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds and notes payable:					
General obligation debt	\$ 180,297	\$ 98,878	\$ (21,754)	\$ 257,421	\$ 13,400
Revenue bonds	174,994	2,237	(46,050)	131,181	5,510
Note	1,583		(546)	1,037	229
Total bonds and notes payable	<u>356,874</u>	<u>101,115</u>	<u>(68,350)</u>	<u>389,639</u>	<u>19,139</u>
Other liabilities:					
Capital lease	733		(53)	680	56
Claims and judgments	23,217	11,248	(12,368)	22,097	7,342
Compensated absences	16,517	17,228	(17,599)	16,146	14,693
Accrued sick leave	2,322		(2,322)	-	-
Total other liabilities	<u>42,789</u>	<u>28,476</u>	<u>(32,342)</u>	<u>38,923</u>	<u>22,091</u>
Governmental activities long-term liabilities	<u>\$ 399,663</u>	<u>\$ 129,591</u>	<u>\$ (100,692)</u>	<u>\$ 428,562</u>	<u>\$ 41,230</u>
<b>COMPONENT UNITS:</b>					
Bonds payable:					
Louisville Water Co.	\$ 138,797	\$ 490	\$ (4,828)	\$ 134,459	\$ 5,719
Parking Authority of River City, Inc.	38,920	19,460	(5,503)	52,877	2,135
Riverport Authority	142		(25)	117	27
Metropolitan Sewer District	1,196,669	191,000	(179,584)	1,208,085	13,092
Total bonds payable	<u>1,374,528</u>	<u>210,950</u>	<u>(189,940)</u>	<u>1,395,538</u>	<u>20,973</u>
Other liabilities:					
Claims and judgments	1,279	1,477	(1,422)	1,334	-
Compensated absences	5,073	94		5,167	-
Component units long-term liabilities	<u>6,352</u>	<u>1,571</u>	<u>(1,422)</u>	<u>6,501</u>	<u>-</u>
	<u>\$ 1,380,880</u>	<u>\$ 212,521</u>	<u>\$ (191,362)</u>	<u>\$ 1,402,039</u>	<u>\$ 20,973</u>

Balances for claims and judgments include \$16,097,478 reported in the Insurance and Risk Management Fund, an Internal Service Fund.

**10. Capital Lease Obligations**

Jefferson County Fiscal Court financed the purchase of radio equipment for its public works department through a capital lease obligation of \$944,652, which has been assumed by Metro Government. The obligation requires quarterly payments of principal and interest of \$24,297 through September 2012. The interest rate of the obligation is 6.20%.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**10. Capital Lease Obligations, continued**

Annual debt service requirements to maturity for capital leases are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 56,305	\$ 40,885	\$ 97,190
2005	59,878	37,312	97,190
2006	63,677	33,512	97,189
2007	67,718	29,471	97,189
2008	72,015	25,174	97,189
2009-2013	360,679	52,376	413,055
Totals	<u>\$ 680,272</u>	<u>\$ 218,730</u>	<u>\$ 899,002</u>

**11. Conduit Debt Obligations**

At June 30, 2003, there was approximately \$286.07 million in Industrial Building Revenue Bonds outstanding issued by the former City of Louisville. The principal amount payable for Industrial Building Revenue Bonds issued by Jefferson County Fiscal Court could not be determined, however, the aggregate original amounts totaled approximately \$3.91 billion. There are \$1.3 million issued by Metro Government. Through the Office for Business Services, Metro Government assists local businesses and industry in financing new and expanded facilities with proceeds of these bond issues. These bonds are collateralized by the facilities constructed with the bond proceeds and a pledge of revenues derived from those facilities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Metro Government has no obligation for repayment of the bonds or related interest. Accordingly, the bonds and related assets are not included in Metro Government's financial statements.

**12. Interfund Receivables, Payables, and Transfers**

Interfund receivable and payable balances at June 30, 2003 are as follows:

Fund	<u>Due From/To Other Funds</u>	
	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 14,351,436	\$ 12,791,313
Capital Projects	12,791,313	
Other Governmental	662,360	11,028
Agency:		
Revenue Commission	35,108,343	17,804,351
Mass Transit	2,801,583	-
Internal Service:		
Revenue Commission		35,108,343
Totals	<u>\$ 65,715,035</u>	<u>\$ 65,715,035</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**12. Interfund Transfers, Receivables, and Payables, continued:**

Interfund transfers at June 30, 2003 are as follows:

Transfers out:	Interfund Transfers		Transfers in:		Total
	General fund	Capital Projects fund	Nonmajor governmental funds	Internal Service Funds	
General fund		\$ 32,920,100	\$ 15,010,223	\$ 1,291,386	\$ 49,221,709
Special Revenue fund	\$ 983,368		404,129		1,387,497
Capital Projects fund			21,361,437		21,361,437
Nonmajor governmental funds	627,400		38,582,914		39,210,314
Internal Service funds	916,387				916,387
Total transfers out	\$ 2,527,155	\$ 32,920,100	\$ 75,358,703	\$ 1,291,386	\$ 112,097,344

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**13. Customer Contributions for Water Pipeline Construction**

The Louisville Water Company requires consumers to make a deposit for the cost of construction of pipelines and special services. These advances are refundable, within certain time limits up to 20 years, under the terms of the various contracts.

The customer advances for construction account reflects the liability for probable refunds of construction advances at some future date. When the period during which the refund can be made has expired, any balance is transferred to contributions in aid of construction.

The cost of construction of pipelines and services paid for by the customers, which are not refundable, are reported on the statement of net assets as restricted for capital projects. The net increase in this account during the year totaled \$16,646,769 and is shown on the statement of revenues, expenses and changes in net assets as nonoperating revenue.

**14. Contingent Liabilities**

**Litigation**

The City has been named as a defendant in various legal actions, including litigation regarding the computation of overtime pay for firefighters in previous years. The ultimate outcome of these various legal actions cannot be determined with certainty. Management does not anticipate that such actions will have a material impact on the financial position of the City.

**Federal Grants**

In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to materially affect the financial condition of the City.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**14. Contingent Liabilities, continued**

**Lease and Sublease Agreement, University of Louisville Stadium Bonds**

In 1997 Jefferson County issued \$18,500,000 in bonds, which was used to pay for a portion of the cost of constructing the University of Louisville Papa John's Cardinal Stadium. The University of Louisville Athletic Association (ULAA) has agreed to pay all principal, interest, and premiums on the bonds and to maintain and insure the project so long as any bonds remain outstanding. However, pursuant to the terms of a lease and sublease agreement, in the event that the ULAA does not make the debt service payments, Metro Government is to pay for all principal, interest, and premiums on the bonds, subject to a maximum financial obligation in any fiscal year of \$2 million.

**Commitments**

Metro Government has entered into contracts for Phase II construction of the Waterfront Park. As of June 30, 2003, these uncompleted contracts totaled approximately \$3.1 million. Payment of these contracts will be provided by state funds. In addition, contracts totaling approximately \$660,000 for renovation of the Iroquois Amphitheater were outstanding at June 30, 2003, to be financed by general revenues.

**15. Deferred Compensation**

Metro Government, the Louisville Water Company ("LWC"), and the Metropolitan Sewer District ("MSD") offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. MSD also offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, released in 1997, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net assets. Metro Government, the LWC and MSD therefore do not show these assets and liabilities on their respective statements of net assets.

**16. Post-Employment Health Care Benefits**

Retired Metro Government employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the County Employees' Retirement System. As outlined in their respective union contracts, retired firefighters and policemen covered under the Pension Trust Funds may continue health care and life insurance through Metro Government, but they bear the full cost of premiums.

**17. Landfill Closure and Postclosure Care Costs**

Metro Government owns three landfill sites that were operated by the former City of Louisville, which are closed and not accepting waste. State and federal laws and regulations require certain maintenance and monitoring functions at the sites for 30 years after closure. If the landfills were still in operation, Metro Government would be required to report a



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**17. Landfill Closure and Postclosure Care Costs, continued**

portion of the closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year end.

Because all landfills were closed in prior years, 100% of landfill closure and postclosure care costs, estimated at \$1,747,462, were recorded as an expense and corresponding liability at June 30, 1995, in the Capital Cumulative Reserve Fund of the former City. Payments and changes in estimates have increased (decreased) this liability from prior years to \$93,450 at June 30, 2003. Future costs may vary from that amount because of inflation, changes in technology, or changes in regulations.

**18. Pension Plans**

**A. County Employees' Retirement System**

**Plan Description**

Metro Government and the Louisville Water Company ("LWC") contribute to the County Employees Retirement System ("CERS") which is a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for CERS. That report may be obtained by writing to the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

**Funding Policy**

Plan members are required to contribute 5% (8% for participants in the Hazardous Duty Plan) of creditable compensation and Metro Government and the LWC are required to contribute at an actuarially determined rate. The rate as of June 30, 2003, is 6.41% (16.78% under the Hazardous Duty Plan) of participating employees' compensation. The contribution requirements of plan members and Metro Government are established and may be amended by the CERS board of Trustees. Metro Government's contribution to the CERS for the year ending June 30, 2003 was \$26,755,801. The City's contributions to the CERS for the years ending June 30, 2002 and 2001 were \$15,397,843 and \$15,325,641, respectively, and Fiscal Court's contributions for the same years were \$10,463,599 and \$10,524,992, respectively, all equal to required contributions for each year. The LWC's contributions to the CERS for years ending December 31, 2002, 2001, and 2000 were \$1,648,628, \$1,652,766, and \$1,667,331, respectively, equal to required contributions for each year.

**B. Fire and Police Pension Trust Funds**

**Plan Descriptions**

Most of the former City's firemen and policemen transferred to CERS in 1989 and 1986, respectively. For those who did not transfer, Metro Government contributes to the Firefighters' Pension Fund and the Policemen's Retirement Fund. Both of these are single employer defined benefit pension plans. These plans do not issue reports on a stand-alone basis. Accordingly, these financial statements are presented as combining statements on page 83 of this report.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**18. Pension Plans, continued**

The Funds provide retirement, death, and disability benefits. A member may retire under the provisions of the Firefighters' Pension Fund after reaching the age of 62 or having completed 20 years of service (25 years of service if hired after July 1, 1984). A member may retire under the provisions of the Policemen's Retirement Fund after reaching age 62 or having completed 20 years of service (25 years of service if hired on or after April 1, 1985). Employee accounts vest after 10 years of service under the Firefighters' Pension Fund and 5 years under the Policemen's Retirement Fund.

Employees who retire with 20 years of service are eligible to receive 50% of their three-year average salary (25 years of service are eligible to receive 56% of their three-year average salary, if hired after July 1, 1984) under the Firefighters' Pension Fund. The three-year average salary is the sum of the three highest fiscal years of annual base salary plus overtime and supplemental pay. Under the Policemen's Retirement Fund, employees who retire at or after age 62 with 5 or more years of service are entitled to receive payments for the remainder of their lives equal to 2% of their three-year average base salary times the number of years of service. Both Funds provide up to a maximum of 75% of the three-year average salary as the length of service increases. Upon termination, employees having completed 10 years of service but not considered eligible for normal retirement, shall receive a refund of contributions without interest under the Firefighters' Pension Fund. Under the Policemen's Retirement Fund, an employee who completes 5 years of service but is not yet eligible for normal retirement, shall receive three-fourths of his contributions to the Fund without interest, upon termination.

Both Funds include death and disability benefits whereby the surviving spouse or disabled employee is entitled to receive certain benefits. Death benefits may reach 75% of base pay (at time of death) plus overtime and supplemental pay for firefighters and 75% of base pay for policemen. Disability payments may reach 75% of base pay (at time of disability) plus overtime and supplemental pay for firefighters and 75% of base pay for policemen. Under both Funds, the disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry.

Membership of each plan consisted of the following at June 30, 2003:

	Firefighters' Pension <u>Fund</u>	Policemen's Retirement <u>Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	307	269
Vested active plan participants	0	1

**Summary of Significant Accounting Policies and Plan Asset Matters**

Basis of Accounting - The preparation of the financial statements of the Firefighters' Pension Fund and the Policemen's Retirement Fund generally conform to the provisions of the GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The financial statements of the

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**June 30, 2003**

**18. Pension Plans, continued**

Funds are prepared on the accrual basis. Plan member contributions are recognized in the period in which the contributions are due. Metro Government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The cost of administering the plans is financed by Metro Government and is based on budgets submitted by the administrators on an annual basis.

Investments - Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government and U.S. Government Agencies) in any one organization that represent 5% or more of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits for either Fund.

**Contributions**

The contribution requirements and benefit provisions for the Funds are established by state statute and Metro Government ordinance. Employees covered under the Firefighters' Pension Fund were required to pay 7.0% of their gross earnings to the Fund. The employee contribution rate is 6.5% for the Policemen's Retirement Fund. Based on the actuarial valuations performed by consulting actuaries at January 1, 2003, Metro Government is not required to make a contribution to either Fund for the fiscal year beginning July 1, 2003. Actuarial assumptions and other information used to determine the annual required contributions are located in the Required Supplemental Information -- Pensions section of this report.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LOUISVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual Amounts - GAAP Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 49,052,000	\$ 49,052,000	\$ 49,167,897	\$ 115,897
Occupational taxes	143,670,000	146,933,769	150,701,928	3,768,159
Licenses and permits	4,510,000	4,490,000	5,200,269	710,269
Intergovernmental	21,115,300	27,582,648	21,027,919	(6,554,729)
Charges for services	38,001,400	26,508,813	22,424,791	(4,084,022)
Fees and fines	830,000	850,000	914,218	64,218
Investment income (loss)	2,124,800	2,206,857	910,693	(1,296,164)
Dividends	12,020,000	12,379,583	12,379,583	-
Donations	4,484,400	4,612,111	1,063,889	(3,548,222)
Miscellaneous	1,300,900	2,004,102	3,146,781	1,142,679
Total revenues	277,108,800	276,619,883	266,937,968	(9,681,915)
<b>EXPENDITURES</b>				
General Government	6,620,200	7,278,802	6,712,759	566,043
Internal Audit	646,400	602,196	591,705	10,491
Law Department	2,637,500	3,000,000	2,918,069	81,931
Finance and Budget Department	18,062,800	9,909,508	6,238,620	3,670,888
Department of Technology	4,289,700	4,093,300	3,868,591	224,709
Human Resources Department	2,421,600	2,281,200	2,216,575	64,625
Office of Public Safety	109,983,700	109,736,300	109,966,965	(230,665)
Public Works Department	21,152,300	20,249,480	20,145,089	104,391
Solid Waste Management and Services	20,775,500	17,618,300	17,647,395	(29,095)
Inspections, Permits and Licenses Department	3,636,000	3,405,000	3,297,238	107,762
Department of Neighborhoods	7,459,600	3,745,895	3,273,863	472,032
External Agencies	7,917,700	11,940,300	9,706,239	2,234,061
Office of Youth Development	1,898,500	1,891,600	1,570,555	321,045
Office for International and Cultural Affairs	431,100	428,500	401,297	27,203
Housing Department	1,414,500	1,379,500	1,185,720	193,780
Louisville Development Authority	4,248,100	4,019,929	3,888,002	131,927
Louisville Free Public Library	17,080,200	16,882,200	14,573,739	2,308,461
Parks Department	24,225,400	22,941,900	21,180,369	1,761,531
Louisville Zoological Gardens	11,077,900	10,837,612	9,956,756	880,856
Louisville Redevelopment Authority	1,603,200	1,600,200	841,439	758,761
Office for Business Services	3,995,300	2,854,000	2,547,854	306,146
Community Action Agency	70,000	86,016	29,947	56,069
Firefighters' Pension Fund	915,200	991,300	729,228	262,072
Policemen's Retirement Fund	1,022,500	890,901	515,085	375,816
Workforce Investment Board	15,000	15,000	15,000	-
Waterfront Development Corporation	3,095,200	3,416,486	1,890,910	1,525,576
Human Relations Commission	413,700	396,500	353,479	43,021
Total expenditures	277,108,800	262,491,925	246,262,488	16,229,437
Excess (deficiency) of revenues over expenditures	\$ -	\$ 14,127,958	20,675,480	\$ 6,547,522
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			2,527,155	
Transfers out			(19,016,209)	
Total other financing sources and uses			(16,489,054)	
Net change in fund balances			4,186,426	
Fund balances--beginning			59,295,949	
Increase in reserve for inventories			77,032	
Fund balances--ending			<u>\$ 63,559,407</u>	

(See Note to Required Supplementary Information page 71)

**CITY OF LOUISVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts - GAAP Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental	\$ 56,791,400	\$ 79,441,588	\$ 75,474,792	\$ (3,966,796)
Charges for services	9,309,000	12,143,439	8,984,292	(3,159,147)
Investment income (loss)	224,100	834,676	851,410	16,734
Donations	23,200	119,700	60,225	(59,475)
Miscellaneous	5,000	5,000	(275,767)	(280,767)
Total revenues	<u>66,352,700</u>	<u>92,544,403</u>	<u>85,094,952</u>	<u>(7,449,451)</u>
<b>EXPENDITURES</b>				
Finance and Budget Department	155,000	11,865,050	8,645,143	3,219,907
Office of Public Safety	1,707,700	4,509,308	3,266,757	1,242,551
Public Works Department	3,876,700	16,371,569	10,814,556	5,557,013
Solid Waste Management and Services	1,354,000	1,860,400	1,055,327	805,073
Inspections, Permits and Licenses Department	17,391,200	21,701,500	20,817,595	883,905
Department of Neighborhoods	200,000	236,930	196,429	40,501
External Agencies		3,000,823	2,783,739	217,084
Office of Youth Development	128,200	128,200	87,150	41,050
Housing Department	8,220,200	23,073,984	9,277,810	13,796,174
Louisville Development Authority	208,400	5,408,480	2,604,893	2,803,587
Louisville Free Public Library	1,075,300	1,099,100	837,951	261,149
Parks Department	160,000	1,061,740	353,979	707,761
Louisville Zoological Gardens	125,800	287,213	242,575	44,638
Louisville Redevelopment Authority	9,050,400	9,050,400	5,118,067	3,932,333
Office for Business Services	1,250,000	500,000	165,000	335,000
Community Action Agency	4,705,100	5,980,680	4,638,490	1,342,190
Workforce Investment Board	16,176,700	14,687,510	12,083,123	2,604,387
Waterfront Development Corporation		10,551,101	6,373,969	4,177,132
Human Relations Commission	568,000	558,000	542,316	15,684
Total expenditures	<u>66,352,700</u>	<u>131,931,988</u>	<u>89,904,869</u>	<u>42,027,119</u>
Excess (deficiency) of revenues over expenditures	<u>\$</u>	<u>\$ (39,387,585)</u>	<u>(4,809,917)</u>	<u>\$ 34,577,668</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(1,387,497)	
Total other financing sources and uses			(1,387,497)	
Net change in fund balances			(6,197,414)	
Fund balances--beginning			27,590,808	
Decrease in reserve for loans			(2,299,330)	
Fund balances--ending			<u>\$ 19,094,064</u>	

(See Note to Required Supplementary Information on page 71)

**JEFFERSON COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 60,985,000	\$ 60,985,000	\$ 61,410,669	\$ 425,669
Occupational taxes	89,360,000	89,360,000	85,199,193	(4,160,807)
Licenses and permits	19,820,100	19,820,100	18,540,791	(1,279,309)
Intergovernmental	45,859,400	48,137,500	39,661,328	(8,476,172)
Charges for services	20,243,300	20,328,250	24,620,338	4,292,088
Investment income (loss)	1,050,000	1,050,000	316,256	(733,744)
Donations			247,325	247,325
Miscellaneous	1,597,300	1,670,200		(1,670,200)
Total revenues	<u>238,915,100</u>	<u>241,351,050</u>	<u>229,995,900</u>	<u>(11,355,150)</u>
<b>EXPENDITURES</b>				
General Government	19,784,500	20,231,420	18,892,039	1,339,381
Public Safety Operations	93,063,000	94,016,217	92,682,621	1,333,596
Health and Human Services	41,815,700	42,976,307	38,676,129	4,300,178
Public Works, Facilities Management, Planning and Permits	27,063,900	27,666,849	26,821,889	844,960
Joint and External agencies	27,137,100	27,301,628	27,629,874	(328,246)
Insurance and reserves	2,577,500	2,590,860	1,464,651	1,126,209
Debt service principal	379,133	379,133	379,133	-
Interest and other charges	71,279	71,279	71,279	-
Total expenditures	<u>211,892,112</u>	<u>215,233,693</u>	<u>206,617,615</u>	<u>8,616,078</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 27,022,988</u>	<u>\$ 26,117,357</u>	<u>23,378,285</u>	<u>\$ (2,739,072)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(30,205,500)	
Net change in fund balances			(6,827,215)	
Fund balances--beginning			<u>21,998,099</u>	
Fund balances--ending			<u><u>\$ 15,170,884</u></u>	

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

As of July 1, 2002, the City of Louisville and Jefferson County Fiscal Court each adopted separate budgets for the entire fiscal year ended June 30, 2003. Those beginning budgets are presented in these schedules. The final budgets and actual amounts reflect the results of any budget revisions through the year. The effect of eliminations of intergovernmental revenues and expenditures between the City and County have not been included.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**

**June 30, 2003**

Information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

**SCHEDULES OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a percentage of Covered Payroll (b-a)/(c)</b>
<b>Firefighters' Pension Fund:</b>						
1/1/1998	\$ 41,757,562	\$ 31,227,292	\$(10,530,270)	133.7%	-	-
1/1/1999	41,800,435	30,392,663	(11,407,772)	137.5%	-	-
1/1/2000	36,542,884	29,188,920	(7,353,964)	125.2%	-	-
1/1/2001	31,810,012	28,316,524	(3,493,488)	112.3%	-	-
1/1/2002	23,419,155	27,290,103	3,870,948	85.8%	-	-
1/1/2003	16,862,780	26,081,663	9,218,883	64.7%	-	-
<b>Policemen's Retirement Fund:</b>						
1/1/1998	\$ 27,278,338	\$ 26,160,287	\$ (1,118,051)	104.3%	\$ 77,363	(1445.2)%
1/1/1999	28,780,457	25,137,136	(3,643,321)	114.5%	60,611	(6011.0)%
1/1/2000	27,932,639	23,956,519	(3,976,120)	116.6%	30,867	(12881.5)%
1/1/2001	22,005,254	22,892,977	887,723	96.1%	32,094	2766.0%
1/1/2002	18,856,604	21,820,606	2,964,002	86.4%	32,094	9235.4%
1/1/2003	13,587,632	20,667,741	7,080,109	65.7%	46,883	15101.7%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

<b>Ended June 30</b>	<b>Firefighters' Pension Fund</b>		<b>Policemen's Retirement Fund</b>	
	<b>Annual Contribution</b>	<b>Percentage Contributed</b>	<b>Annual Contribution</b>	<b>Percentage Contributed</b>
1998	\$ 121,000	100.0%	\$ 328,534	100.0%
1999	133,100	100.0%	339,484	100.0%
2000	138,809	100.0%	205,615	100.0%
2001	154,300	100.0%	217,414	100.0%
2002	157,300	100.0%	248,362	100.0%
2003	152,300	100.0%	364,300	100.0%

Contributions have been made in accordance with City budget requirements even though there were no actuarially determined required contributions for either fund. There were no net pension obligations for either fund.

Continued



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS, Continued**

**June 30, 2003**

Additional information as of the latest actuarial valuation is presented in the following table:

	<u>Firefighters' Pension Fund</u>	<u>Policemen's Retirement Fund</u>
Valuation date	January 1, 2003	January 1, 2003
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	15 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	N/A	7.5%
Projected inflation rate	4.5%	4.5%

**OTHER SUPPLEMENTARY INFORMATION-  
COMBINING FINANCIAL STATEMENTS**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2003**

	Special Revenue Fund		Debt Service Funds		
	E911	General Obligation	Public Properties Corporation	Capital Projects Corporation	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,118,104	\$ 147,282		\$ 234	
Investments	6,011,189				
Accounts receivable	427,528			61	
Due from other funds		662,360			
Land held for development					
Restricted assets:					
Cash and cash equivalents			\$ 37,379		
Investments			1,097,063		
Total assets	<u>\$ 8,556,821</u>	<u>\$ 809,642</u>	<u>\$ 1,134,442</u>	<u>\$ 295</u>	
<b>LIABILITIES</b>					
Accounts payable	\$ 3,153				
Due to other funds					
Matured bonds payable		\$ 662,360			
Deferred revenue					
Other liabilities					
Total liabilities	<u>3,153</u>	<u>662,360</u>	<u>-</u>	<u>-</u>	
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances					
Debt service		147,282	\$ 1,134,442	\$ 295	
Other					
Unreserved	<u>8,553,668</u>				
Total fund balances	<u>8,553,668</u>	<u>147,282</u>	<u>1,134,442</u>	<u>295</u>	
Total liabilities and fund balances	<u>\$ 8,556,821</u>	<u>\$ 809,642</u>	<u>\$ 1,134,442</u>	<u>\$ 295</u>	

**Capital Projects Funds**

<b>Special Purpose Fund</b>	<b>Bond Fund</b>	<b>Public Properties Corporation</b>	<b>Revenue Finance Corporation</b>	<b>Economic Development Corporation</b>	<b>Community Economic Development Corporation</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 522,128	\$ 2,096	\$ 313,946	\$ 5,641	\$ 493,758	\$ 1,299,416	\$ 4,902,605
15,324,318	61,530	9,214,228	165,573			30,776,838
	22,584			33,654	304	484,131
				476,799	10,781	662,360
						487,580
						37,379
						1,097,063
<u>\$ 15,846,446</u>	<u>\$ 86,210</u>	<u>\$ 9,528,174</u>	<u>\$ 171,214</u>	<u>\$ 1,004,211</u>	<u>\$ 1,310,501</u>	<u>\$ 38,447,956</u>
\$ 289,709	\$ 4,404			\$ 2,651		\$ 299,917
				11,028		11,028
						662,360
326,129				43,753		369,882
				78,312		78,312
<u>615,838</u>	<u>4,404</u>	<u>-</u>	<u>-</u>	<u>135,744</u>	<u>-</u>	<u>1,421,499</u>
1,168,969						1,168,969
						1,282,019
				398,487	\$ 10,781	409,268
14,061,639	81,806	\$ 9,528,174	\$ 171,214	469,980	1,299,720	34,166,201
15,230,608	81,806	9,528,174	171,214	868,467	1,310,501	37,026,457
<u>\$ 15,846,446</u>	<u>\$ 86,210</u>	<u>\$ 9,528,174</u>	<u>\$ 171,214</u>	<u>\$ 1,004,211</u>	<u>\$ 1,310,501</u>	<u>\$ 38,447,956</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2003**

	Special Revenue Fund		Debt Service Funds		
	E911	General Obligation	Public Properties Corporation	Community Economic Development Corporation	Capital Projects Corporation
<b>REVENUES</b>					
Intergovernmental					\$ 4,396,000
Charges for services	\$ 3,790,936				
Fees and fines					
Investment income (loss)	104,823	\$ 1,086	\$ 18,510		1,670
Miscellaneous		107,454			
Total revenues	3,895,759	108,540	18,510		4,397,670
<b>EXPENDITURES</b>					
Current:					
Emergency Management	2,798,797				
Miscellaneous					
Debt service:					
Principal		13,774,235	1,625,000	\$ 37,500	3,645,000
Interest and other charges		7,459,058	1,947,959	6,699	4,004,820
Capital outlay					
Total expenditures	2,798,797	21,233,293	3,572,959	44,199	7,649,820
Excess (deficiency) of revenues over (under) expenditures	1,096,962	(21,124,753)	(3,554,449)	(44,199)	(3,252,150)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets					
Proceeds of refunding bonds, par		49,445,000			
Proceeds of refunding bonds, premium		352,740			
Refunding bonds issuance costs paid		(199,324)			
Refunded bond principal		(7,980,000)			(40,780,000)
Refunded bond interest					(470,334)
Refunded bond premium					(317,200)
Payment to bond refunding escrow agent		(2,999,382)			
Transfers in		21,233,293	3,535,361	44,199	41,834,864
Transfers out		(38,582,914)			
Total other financing sources and uses	-	21,269,413	3,535,361	44,199	267,330
Net change in fund balances	1,096,962	144,660	(19,088)	-	(2,984,820)
Fund balances—beginning and restated	7,456,706	2,622	1,153,530	-	2,985,115
Fund balances—ending	\$ 8,553,668	\$ 147,282	\$ 1,134,442	\$ -	\$ 295

Capital Projects Funds						
Special Purpose Fund	Bond Fund	Public Properties Corporation	Revenue Finance Corporation	Economic Development Corporation	Community Economic Development Corporation	Total Nonmajor Governmental Funds
\$ 43,394						\$ 4,439,394
82,604		\$ 23,192				3,896,732
100						100
(41,569)	\$ (389)	436,327	\$ (872)	\$ 7,321	\$ 7,981	534,888
12,983						120,437
97,512	(389)	459,519	(872)	7,321	7,981	8,991,551
						2,798,797
				224,289	1,528	225,817
						19,081,735
						13,418,536
8,417,112		777				8,417,889
8,417,112		777		224,289	1,528	43,942,774
(8,319,600)	(389)	458,742	(872)	(216,968)	6,453	(34,951,223)
179,282						179,282
						49,445,000
						352,740
						(199,324)
						(48,760,000)
						(470,334)
						(317,200)
						(2,999,382)
8,710,986						75,358,703
(627,400)						(39,210,314)
8,262,868	-	-	-	-	-	33,379,171
(56,732)	(389)	458,742	(872)	(216,968)	6,453	(1,572,052)
15,287,340	82,195	9,069,432	172,086	1,085,435	1,304,048	38,598,509
\$ 15,230,608	\$ 81,806	\$ 9,528,174	\$ 171,214	\$ 868,467	\$ 1,310,501	\$ 37,026,457

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**

June 30, 2003

	Insurance and Risk Management Fund	Louisville/ Jefferson Co. Revenue Commission	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 521,060	\$ 755,789	\$ 1,276,849
Investments	15,292,991	46,699,898	61,992,889
Receivables, net	45,763		45,763
Due from component units		178,923	178,923
Deposits with paying agents	45,000		45,000
Total current assets	<u>15,904,814</u>	<u>47,634,610</u>	<u>63,539,424</u>
Capital assets:			
Buildings and equipment, net		1,667,643	1,667,643
Total capital assets	<u>-</u>	<u>1,667,643</u>	<u>1,667,643</u>
Total assets	<u>15,904,814</u>	<u>49,302,253</u>	<u>65,207,067</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	124,108	531,589	655,697
Due to other funds		35,108,343	35,108,343
Deferred revenue		12,096,504	12,096,504
Total current liabilities	<u>124,108</u>	<u>47,736,436</u>	<u>47,860,544</u>
Noncurrent liabilities:			
Claims and judgments	16,097,478		16,097,478
Total noncurrent liabilities	<u>16,097,478</u>	<u>-</u>	<u>16,097,478</u>
Total liabilities	<u>16,221,586</u>	<u>47,736,436</u>	<u>63,958,022</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		1,465,817	1,465,817
Unrestricted	(316,772)	100,000	(216,772)
Total net assets	<u>\$ (316,772)</u>	<u>\$ 1,565,817</u>	<u>\$ 1,249,045</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2003**

	Insurance and Risk Management Fund	Louisville/ Jefferson Co. Revenue Commission	Total
<b>OPERATING REVENUES:</b>			
Fee income and subsidy		\$ 4,852,726	\$ 4,852,726
Insurance income	\$ 6,166,910		6,166,910
Total operating revenues	6,166,910	4,852,726	11,019,636
<b>OPERATING EXPENSES:</b>			
Personal services		3,441,613	3,441,613
Contractual services	590,336	1,000,944	1,591,280
Repairs and maintenance		121,526	121,526
Other supplies and expenses		184,016	184,016
Insurance claims settlements and losses	8,417,385	27,505	8,444,890
Insurance premiums	3,052,473		3,052,473
Depreciation		705,986	705,986
Total operating expenses	12,060,194	5,481,590	17,541,784
Operating income (loss)	(5,893,284)	(628,864)	(6,522,148)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	379,031		379,031
Miscellaneous revenue		100,000	100,000
Miscellaneous expense		(8,390)	(8,390)
Total nonoperating revenues (expenses)	379,031	91,610	470,641
Net loss before transfers	(5,514,253)	(537,254)	(6,051,507)
Transfers in	1,291,386	-	1,291,386
Transfers out	(916,387)	-	(916,387)
Change in net assets	(5,139,254)	(537,254)	(5,676,508)
Total net assets--beginning	4,822,482	2,103,071	6,925,553
Total net assets--ending	\$ (316,772)	\$ 1,565,817	\$ 1,249,045



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2003**

	<b>Insurance and Risk Management Fund</b>	<b>Louisville/ Jefferson Co. Revenue Commission</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Fee income and subsidy		\$ 7,439,323	\$ 7,439,323
Insurance income	\$ 6,174,976		6,174,976
Payments to employees		(3,239,786)	(3,239,786)
Payments to suppliers		(1,333,991)	(1,333,991)
Contractual services	(561,358)		(561,358)
Claims paid	(5,586,499)		(5,586,499)
Insurance premiums paid	(3,052,473)		(3,052,473)
Net cash provided (used) by operating activities	(3,025,354)	2,865,546	(159,808)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Operating transfers from other funds	374,999		374,999
Net cash provided by noncapital and related financing activities	374,999	-	374,999
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets		(92,802)	(92,802)
Net cash used in capital and related financing activities	-	(92,802)	(92,802)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments		(5,785,016)	(5,785,016)
Sale of investments	1,084,332		1,084,332
Investment income	379,031		379,031
Net cash provided by (used in) investing activities	1,463,363	(5,785,016)	(4,321,653)
Net increase (decrease) in cash and cash equivalents	(1,186,992)	(3,012,272)	(4,199,264)
Balances--beginning of the year	1,708,052	3,768,061	5,476,113
Balances--end of the year	\$ 521,060	\$ 755,789	\$ 1,276,849
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (5,893,284)	\$ (628,864)	\$ (6,522,148)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense		705,986	705,986
Increase (decrease) in cash due to changes in assets and liabilities:			
Accounts receivable	8,066		8,066
Due from component units		59,624	59,624
Accounts and other payables	28,978	(77,059)	(48,081)
Liability for incurred claims	2,830,886		2,830,886
Due to other funds and governmental agencies		(261,917)	(261,917)
Deferred revenue		2,967,776	2,967,776
Restricted funds		100,000	100,000
Net cash provided (used) by operating activities	\$ (3,025,354)	\$ 2,865,546	\$ (159,808)
<b>NON CASH INVESTING ACTIVITIES:</b>			
Change in fair value of investments	\$ (65,562)		\$ (65,562)

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION & BENEFIT TRUST FUNDS**  
June 30, 2003

	<u>Firefighters' Pension Trust</u>	<u>Policemen's Retirement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 629,874	\$ 611,265	\$ 1,241,139
Investments	15,017,778	12,361,451	27,379,229
Accounts receivable and accrued interest	211,069	41,395	252,464
Total assets	<u>15,858,721</u>	<u>13,014,111</u>	<u>28,872,832</u>
<b>LIABILITIES</b>			
Accounts payable	<u>396,845</u>	<u>15,416</u>	<u>412,261</u>
<b>NET ASSETS</b>			
Held in trust for pensions	<u>\$ 15,461,876</u>	<u>\$ 12,998,695</u>	<u>\$ 28,460,571</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION & BENEFIT TRUST FUNDS**  
For the Year Ended June 30, 2003

	<u>Firefighters' Pension Trust</u>	<u>Policemen's Retirement Fund</u>	<u>Pension &amp; Benefit Trust</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 651,636	\$ 683,544	\$ 1,335,180
Member		3,505	3,505
Total contributions	<u>651,636</u>	<u>687,049</u>	<u>1,338,685</u>
Investment earnings:			
Increase (decrease) in fair value	(349,875)	133,687	(216,188)
Interest and dividends	416,228	331,827	748,055
Total investment earnings	<u>66,353</u>	<u>465,514</u>	<u>531,867</u>
Investment expense	<u>(126,209)</u>	<u>(134,648)</u>	<u>(260,857)</u>
Net investment earnings	<u>(59,856)</u>	<u>330,866</u>	<u>271,010</u>
Other income	<u>52</u>	<u>1</u>	<u>52</u>
Total additions	<u>591,832</u>	<u>1,017,915</u>	<u>1,609,747</u>
<b>DEDUCTIONS</b>			
Benefit payments	3,972,566	3,212,157	7,184,723
Administration expense	187,449	177,040	364,489
Total deductions	<u>4,160,015</u>	<u>3,389,197</u>	<u>7,549,212</u>
Net decrease	<u>(3,568,183)</u>	<u>(2,371,282)</u>	<u>(5,939,465)</u>
Net assets--beginning of the year	<u>19,030,059</u>	<u>15,369,977</u>	<u>34,400,036</u>
Net assets--end of the year	<u>\$ 15,461,876</u>	<u>\$ 12,998,695</u>	<u>\$ 28,460,571</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**June 30, 2003**

	<u>Group Medical</u>	<u>Mass Transit</u>	<u>Escrow and Deposit</u>	<u>Revenue Commission</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 360	\$ 5,960,108	\$ 4,567,138	\$ 21,600	\$ 10,549,206
Investments	10,567	1,126,473	9,493,748		10,630,788
Accounts receivable and accrued interest		1,029,820	215,459		1,245,279
Due from other funds		2,801,583		35,108,343	37,909,926
Total assets	<u>\$ 10,927</u>	<u>\$ 10,917,984</u>	<u>\$ 14,276,345</u>	<u>\$ 35,129,943</u>	<u>\$ 60,335,199</u>
<b>LIABILITIES</b>					
Accounts payable					
Due to other governmental agencies	\$ 10,927	\$ 10,917,984	\$ 9,712,706	\$ 17,325,592	\$ 37,967,209
Due to other funds				17,804,351	17,804,351
Refundable deposits			4,563,639		4,563,639
Total liabilities	<u>\$ 10,927</u>	<u>\$ 10,917,984</u>	<u>\$ 14,276,345</u>	<u>\$ 35,129,943</u>	<u>\$ 60,335,199</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

**Before Merger, Fiscal Years 1994-2002**

<b>CITY OF LOUISVILLE</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
General Government	\$ 3,084,985	\$ 3,049,799	\$ 3,006,490	\$ 3,269,395
Internal Audit	487,990	466,244	494,800	553,732
Law Department	1,773,742	2,050,984	2,524,637	2,522,296
Finance and Budget Department	4,563,730	4,599,493	5,470,255	9,822,289
Department of Technology (2)	3,278,891	3,493,929	3,517,117	3,593,414
Telecommunications Office (3)				
Office of Strategic Planning (4)				
Department of Human Resources (5)	1,900,678	1,646,769	1,876,131	2,006,485
Office of Public Safety (6)	68,480,410	74,080,755	78,513,062	82,409,571
Public Works Department	19,072,979	19,840,737	21,067,794	28,755,818
Solid Waste Management and Services	14,688,929	14,564,026	15,390,231	15,462,143
Inspections, Permits and Licenses Department	3,646,035	3,839,846	3,851,178	4,148,164
Department of Neighborhoods (7)	5,051,830	5,775,509	6,322,206	4,091,639
External agencies	6,053,399	3,301,385	3,631,438	3,215,628
Office of Youth Development (4)				
Office for International and Cultural Affairs (4)				
Housing Department	16,871,802	15,766,575	21,279,887	22,062,433
Louisville Development Authority	2,387,210	2,693,544	4,606,418	4,566,148
Louisville Free Public Library	10,113,550	10,531,596	11,147,995	11,987,601
Parks Department	12,727,826	13,219,456	14,953,059	18,750,983
Otter Creek Park (8)	1,284,965	1,421,212	1,185,445	
Louisville Zoological Gardens	4,771,735	4,574,810	5,281,644	6,245,757
Louisville Redevelopment Authority (9)			701,618	6,531,146
Office for Business Services (10)	4,769,962	4,297,666	4,682,116	5,084,431
Community Action Agency	4,111,747	3,418,404	2,861,860	2,844,820
Firefighters' Pension Fund	110,670	115,020	104,120	113,950
Policemen's Retirement Fund	115,470	119,820	248,880	330,672
Kentuckiana Works (11)	4,994,358	4,431,880	5,440,717	5,776,172
Waterfront Development Corporation	402,863	545,343	430,456	1,027,801
Human Relations Commission	531,882	560,295	583,368	663,997
Debt service	7,439,097	7,333,390	6,930,799	6,771,464
<b>Total</b>	<b>\$ 202,716,735</b>	<b>\$ 205,738,487</b>	<b>\$ 226,103,721</b>	<b>\$ 252,607,949</b>
<b><u>JEFFERSON COUNTY FISCAL COURT</u></b>				
General Government	\$ 22,622,919	\$ 16,108,348	\$ 17,021,954	\$ 18,201,446
Public Safety	60,205,909	57,662,469	59,007,906	69,809,462
Health	23,930,728	25,064,022	26,502,000	28,937,917
Public Works	13,755,064	22,413,363	23,729,547	24,088,314
Joint & Ext	13,660,971	14,383,822	15,781,302	16,287,635
Other	4,364,428	10,495,796	9,517,418	10,735,902
Debt Service	4,090,178	2,816,583	6,583,157	11,354,580
	<b>\$ 142,630,197</b>	<b>\$ 148,944,403</b>	<b>\$ 158,143,284</b>	<b>\$ 179,415,256</b>

- (1) Includes General and Special Revenue Funds, Debt Service Funds to 2001, and Proprietary Funds 2002 and after for debt service.  
(2) Office of Information Services administered by Finance and Budget until June 1993, name changed to Department of Technology in July 1999.  
(3) Telecommunications Office created in July 1998, administered by Department of Technology beginning July 1999.  
(4) Agencies created in July 1999.  
(5) Name changed from Employee Relations in November 1999.  
(6) Name changed from Public Health and Safety in July 1999.  
(7) Name changed from Community Services in July 1999.  
(8) Otter Creek Park administered by Parks Department beginning July 1996.  
(9) Louisville Redevelopment Authority created in July 1995.  
(10) Name changed from Office for Economic Development in July 1999.  
(11) Named Job Training Partnership Agency until July 1999, then Workforce Investment Board until November 2000.

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
\$ 3,601,257	\$ 3,809,351	\$ 3,839,237	\$ 4,631,772	\$ 4,931,141
585,649	597,414	556,062	559,568	577,485
2,644,626	2,704,178	2,859,981	3,083,155	3,140,125
5,818,477	7,257,930	5,677,332	13,993,084	13,268,998
3,830,337	3,732,742	4,580,111	3,783,856	3,898,512
	94,691			
		177,869	70,952	191,245
1,987,758	1,862,555	1,980,939	2,104,624	2,226,907
86,812,688	90,316,675	97,379,575	102,123,658	107,864,633
27,517,179	26,006,247	29,531,352	25,473,768	27,585,030
14,718,651	15,666,199	16,326,445	17,099,535	17,444,649
4,165,840	4,090,276	17,600,140	19,529,747	19,806,534
4,783,929	5,214,500	4,949,389	6,149,720	6,574,026
3,396,071	5,326,020	8,949,580	12,517,464	10,702,776
		1,423,200	1,355,457	1,473,935
		273,863	368,931	391,970
19,835,738	20,532,561	8,067,272	12,846,012	9,836,973
4,368,332	5,976,202	6,950,470	10,274,734	7,190,602
12,369,255	12,671,838	14,127,154	14,478,532	15,830,289
19,697,487	20,623,009	20,027,621	22,022,096	22,426,097
6,796,667	7,157,545	7,794,390	7,924,211	10,416,251
6,799,618	9,396,761	9,785,172	7,156,584	7,521,910
5,902,565	7,134,819	3,532,011	5,669,700	3,793,590
2,519,951	2,668,587	3,318,327	3,999,501	3,639,308
134,340	172,650	176,290	399,007	402,819
368,648	339,484	205,615	406,248	435,391
5,788,766	8,502,195	6,577,373	11,788,804	14,713,045
2,944,846	1,495,211	1,763,450	1,752,980	3,501,993
906,987	889,706	926,763	966,293	912,389
19,863,059	64,842,837	8,682,430	5,728,146	2,020,328
<u>\$ 268,158,721</u>	<u>\$ 329,082,183</u>	<u>\$ 288,039,413</u>	<u>\$ 318,258,139</u>	<u>\$ 322,718,951</u>
\$ 14,981,909	\$ 15,744,594	\$ 16,624,912	\$ 18,085,502	\$ 19,245,400
76,815,680	80,884,330	83,184,194	87,088,719	89,471,057
30,656,242	33,636,012	37,661,848	38,275,123	38,620,529
25,319,433	27,018,217	23,641,276	26,144,789	25,753,285
13,668,060	14,116,732	14,185,319	15,385,464	17,140,611
13,430,261	22,111,657	11,761,207	8,601,560	13,341,213
17,384,687	29,741,313	18,031,154	24,938,116	26,108,706
<u>\$ 192,256,272</u>	<u>\$ 223,252,855</u>	<u>\$ 205,089,910</u>	<u>\$ 218,519,273</u>	<u>\$ 229,680,801</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

**After Merger**

	<b>2003</b>
General Government:	
Metro Council	\$ 4,446,718
Mayor's Office	3,579,829
County Attorney	7,412,962
Other Elected Officials	6,932,008
Internal Audit	591,705
Finance Department	18,021,085
External Agencies	15,492,849
Purchasing Department	553,489
Information Technology	6,082,646
Human Resources Department	3,882,710
Human Relations Commission	895,795
Police Department	117,349,274
Public Protection Cabinet	58,529
Fire Department	45,563,191
County Emergency Medical Services	7,728,142
Emergency Management	1,544,502
Corrections Department	39,592,089
Crime Commission	475,965
Office of Public Safety	185,464
Firefighters' Pension Fund	729,228
Policemen's Retirement Fund	515,085
Public Works Department	48,689,479
Solid Waste Management Services	19,786,921
Inspections, Permits and Licenses	28,911,602
Animal Control Services	1,467,087
Department of Neighborhoods	3,470,642
Parks Department	21,534,348
International and Cultural Affairs	401,297
Louisville Free Public Library	15,136,690
Louisville Zoological Gardens	10,199,331
Metro Development Authority	6,435,126
Office for Business Services	3,547,154
Housing Department	10,463,530
Air Pollution Control	4,601,638
Waterfront Development Corporation	8,264,879
Redevelopment Authority	5,959,506
Health Department	20,747,662
Human Services	17,986,236
Office of Youth Development	1,657,705
Workforce Investment Board	12,098,123
Community Action Agency	4,668,437
Debt service principal	19,081,735
Debt service interest and other charges	13,418,536
	<u><u>\$ 560,160,929</u></u>

(1) Includes General, Special Revenue, and Debt Service Funds.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes (2)</b>	<b>Licenses and Permits (2)</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeitures</b>	<b>Investment Income</b>	<b>Donations and Miscellaneous Revenue</b>	<b>Total Revenues</b>
<b><u>CITY OF LOUISVILLE</u></b>								
1994	\$ 137,825,113	\$ 2,734,758	\$ 50,430,684	\$ 10,427,233	\$ 2,002,305	\$ 3,029,641	\$ 9,573,467	\$ 216,023,201
1995	149,828,039	2,932,749	50,745,833	11,722,610	1,971,521	2,664,010	12,239,502	232,104,264
1996	156,528,372	3,156,770	62,348,857	11,421,153	1,443,758	3,575,156	10,627,259	249,101,325
1997	165,975,239	3,234,576	73,202,890	12,937,332	1,571,731	4,502,189	18,800,365	280,224,322
1998	171,546,628	3,523,866	64,456,961	12,144,401	1,504,802	5,068,122	18,627,864	276,872,644
1999	177,938,209	4,851,823	100,655,977	13,503,162	1,474,871	4,824,882	18,184,290	321,433,214
2000	185,228,241	4,579,320	73,484,531	13,544,570	1,503,794	5,775,832	26,275,433	310,391,721
2001	193,104,313	4,184,641	102,782,341	14,019,751	1,500,863	5,805,741	24,334,117	345,731,767
2002	197,696,495	4,538,807	101,217,079	36,623,819	871,925	6,254,485	14,253,512	361,456,122
<b><u>JEFFERSON COUNTY FISCAL COURT</u></b>								
1994	\$ 39,166,770	\$ 69,616,350	\$ 30,638,601	\$ 13,535,190		\$ 919,058	\$ 1,664,646	\$ 155,540,615
1995	41,815,515	74,847,345	29,628,042	16,599,230		1,686,244	2,225,652	166,802,028
1996	44,398,024	80,114,861	30,189,386	18,004,306		2,245,254	2,397,014	177,348,845
1997	47,902,779	87,100,043	32,956,101	19,131,362		2,306,857	1,889,873	191,287,015
1998	50,838,200	91,689,380	29,954,670	20,501,566		3,621,943	2,716,206	199,321,965
1999	52,211,162	97,495,357	34,516,120	22,795,284		2,723,755	4,402,152	214,143,830
2000	54,199,896	101,146,947	34,071,960	24,922,560		2,530,960	6,221,255	223,093,578
2001	54,358,301	103,930,110	31,774,038	27,435,313		2,345,784	5,844,223	225,687,769
2002	59,329,125	102,846,322	47,199,455	24,422,782		1,060,539	3,442,388	238,300,611
<b><u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u></b>								
2003	\$ 346,479,687	\$ 23,741,060	\$ 127,477,833	\$ 60,847,632	\$ 914,318	\$ 4,156,510	\$ 21,415,443	\$ 585,032,483

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Prior to 2003, Occupational taxes were classified as taxes by the City of Louisville and as licenses by Jefferson County Fiscal Court.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**GENERAL FUND TAX REVENUES BY SOURCE**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>Bank and Life Insurance Shares</b>	<b>Public Service Corporations</b>	<b>Occupational Taxes (1)</b>	<b>Other</b>	<b>Interest, Penalties and Other Fees</b>
<b><u>CITY OF LOUISVILLE</u></b>							
1994	\$ 137,825,113	\$ 33,584,617	\$ 1,657,585	\$ 2,833,938	\$ 98,591,222	\$ 630,946	\$ 526,805
1995	149,828,039	34,818,554	1,722,714	3,495,305	108,560,257	749,157	482,052
1996	156,528,372	34,973,746	1,445,280	4,390,708	114,297,186	913,797	507,655
1997	165,975,239	36,905,783	1,895,498	4,797,163	120,487,277	1,225,643	663,875
1998	171,546,628	38,582,913	1,700,426	7,596,388	121,970,729	1,082,033	614,139
1999	177,938,209	38,617,607	1,621,733	4,140,528	132,139,269	825,266	593,806
2000	185,228,241	40,392,393	1,734,265	3,867,647	137,736,926	878,365	618,645
2001	193,104,313	42,634,340	1,753,908	3,427,432	143,517,870	1,062,020	708,743
2002	197,696,495	43,479,184	1,648,598	5,177,097	145,427,943	1,187,618	776,055
<b><u>JEFFERSON COUNTY FISCAL COURT</u></b>							
1994	\$ 39,166,770	\$ 31,830,003	\$ 2,356,900	\$ 1,825,328		\$ 2,106,053	\$ 1,048,486
1995	41,815,515	34,538,691	2,371,730	1,920,803		1,992,860	991,431
1996	44,398,024	36,415,223	2,145,424	2,481,742		2,368,211	987,424
1997	47,902,779	39,054,807	2,732,048	2,680,412		2,380,501	1,055,011
1998	50,838,200	40,681,540	2,535,708	3,688,808		2,681,204	1,250,940
1999	52,211,162	41,520,979	2,690,257	3,166,999		3,185,240	1,647,687
2000	54,199,896	43,655,901	2,718,821	2,443,663		3,081,323	2,300,188
2001	54,358,301	45,290,533	2,661,015	2,255,129		2,809,534	1,342,090
2002	59,329,125	49,152,467	2,748,105	2,972,797		3,088,308	1,367,448
<b><u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u></b>							
2003	\$ 346,149,531	\$ 92,608,431	\$ 4,350,721	\$ 6,763,891	\$ 235,901,121	\$ 4,096,794	\$ 2,428,574

(1) Prior to 2003, Occupational taxes were classified as taxes by the City of Louisville and as licenses by Jefferson County Fiscal Court.



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Amount of Levy</b>	<b>Amount Collected in Year of Levy</b>	<b>Percent Collected in Year of Levy</b>	<b>Adjusted Levy at June 30, 2003</b>	<b>Amount Collected as of June 30, 2003</b>	<b>Percent of Adjusted Levy Collected as of June 30, 2003</b>	<b>Total Outstanding Delinquent Taxes Receivable at June 30, 2003</b>
<b><u>CITY OF LOUISVILLE</u></b>							
1994	\$ 35,560,178	\$ 33,567,914	94.4%	\$ 35,560,749	\$ 35,505,201	99.8%	\$ 55,548
1995	36,300,438	35,058,290	96.6%	37,026,371	36,991,318	99.9%	35,053
1996	35,573,379	33,861,521	95.2%	37,580,752	37,500,652	99.8%	80,100
1997	37,520,047	35,767,558	95.3%	39,093,414	38,979,438	99.7%	113,976
1998	38,683,449	36,915,075	95.4%	41,579,237	41,382,489	99.5%	196,748
1999	41,691,486	39,615,186	95.0%	41,393,848	41,072,816	99.2%	321,032
2000	43,388,371	40,745,536	93.9%	42,539,112	42,045,199	98.8%	493,913
2001	44,850,574	42,132,174	93.9%	44,708,142	43,971,963	98.4%	736,179
2002	47,392,733	44,771,361	94.5%	46,260,639	44,771,361	96.8%	1,489,278
<b><u>JEFFERSON COUNTY FISCAL COURT</u></b>							
1994	\$ 38,702,000	\$ 37,858,000	97.8%	\$ 38,702,000	\$ 37,858,000	97.8%	\$ 613,000
1995	41,590,000	40,446,000	97.2%	41,590,000	40,446,000	97.2%	600,000
1996	43,329,000	42,049,000	97.0%	43,329,000	42,049,000	97.0%	748,000
1997	46,470,000	45,327,000	97.5%	46,470,000	45,327,000	97.5%	701,000
1998	48,276,000	47,036,000	97.4%	48,276,000	47,036,000	97.4%	782,000
1999	50,326,000	49,625,000	98.6%	50,326,000	49,625,000	98.6%	771,000
2000	52,698,000	51,537,000	97.8%	52,698,000	51,537,000	97.8%	615,000
2001	54,209,000	52,573,000	97.0%	54,209,000	52,573,000	97.0%	875,000
2002	59,232,000	57,083,000	96.4%	59,232,000	57,083,000	96.4%	998,000
<b><u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u></b>							
2003	\$ 101,447,908	\$ 97,734,411	96.3%	\$ 101,151,309	\$ 97,734,411	96.6%	\$ 3,416,898

Levies do not include autos. These are levied and collected by the County Clerk's Office as required by KRS Chapter 134 and Louisville City Ordinance #185, Series 1984.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Homestead Exemption (1)
	Assessed Value (Note)	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
CITY OF LOUISVILLE								
1994	\$ 6,115,445,429	\$ 6,610,340,229	\$ 2,100,846,223	\$ 2,100,846,223	\$ 8,216,291,652	\$ 8,711,186,452	94.32 %	\$ 21,800
1995	6,614,922,175	7,110,215,599	2,218,880,195	2,218,880,195	8,833,802,370	9,329,095,794	94.69 %	21,800
1996	6,617,810,920	7,142,268,710	2,424,154,559	2,424,154,559	9,041,965,479	9,566,423,269	94.52 %	23,100
1997	7,134,431,883	7,643,158,843	2,505,148,035	2,505,148,035	9,639,579,918	10,148,306,878	94.99 %	23,100
1998	7,625,654,333	8,144,026,143	2,527,674,710	2,527,674,710	10,153,329,043	10,671,700,853	95.14 %	24,400
1999	7,941,343,735	8,457,155,055	2,156,337,113	2,156,337,113	10,097,680,848	10,613,492,168	95.14 %	24,400
2000	8,256,835,261	8,787,687,821	2,479,019,416	2,479,019,416	10,735,854,677	11,266,707,237	95.29 %	25,500
2001	8,847,132,278	9,354,252,216	2,421,555,297	2,421,555,297	11,268,687,575	11,775,807,513	95.69 %	25,500
2002	9,729,895,056	10,276,349,416	2,941,464,514	2,941,464,514	12,671,359,570	13,217,813,930	95.87 %	26,800
JEFFERSON COUNTY FISCAL COURT								
1994	\$ 19,566,965,836	\$ 20,669,282,226	\$ 6,346,154,009	\$ 6,346,154,009	\$ 25,913,119,845	\$ 27,015,436,235	95.92 %	\$ 21,800
1995	21,434,370,424	22,561,065,628	6,582,128,191	6,582,128,191	28,016,498,615	29,143,193,819	96.13 %	21,800
1996	22,148,393,479	23,358,696,319	7,139,401,228	7,139,401,228	29,287,794,707	30,498,097,547	96.03 %	23,100
1997	24,190,901,282	25,405,380,639	7,613,198,285	7,613,198,285	31,804,099,567	33,018,578,924	96.32 %	23,100
1998	25,660,667,701	26,940,299,068	7,765,023,517	7,765,023,517	33,425,691,218	34,705,322,585	96.31 %	24,400
1999	27,255,950,247	28,551,945,967	8,045,930,810	8,045,930,810	35,301,881,057	36,597,876,777	96.46 %	24,400
2000	29,043,139,019	30,395,875,319	8,287,149,420	8,287,149,420	37,330,288,439	38,683,024,739	96.50 %	25,500
2001	31,423,908,212	32,770,194,834	8,440,335,579	8,440,335,579	39,864,243,791	41,210,530,413	96.73 %	25,500
2002	34,730,126,504	36,179,100,046	8,843,194,051	8,843,194,051	43,573,320,555	45,022,294,097	96.78 %	26,800
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT								
2003	\$ 46,274,546,626	\$ 48,330,892,272	\$ 10,797,870,741	\$ 10,797,870,741	\$ 57,072,417,367	\$ 59,128,763,013	96.52 %	\$ 26,800

(1) Under the provisions of the Homestead Amendment to the Kentucky Constitution, persons 65 years or older are granted exemptions of these amounts on the assessed value of their bona fide residence.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**PROPERTY TAX RATES**

**DIRECT AND OVERLAPPING GOVERNMENTS**

**TAX RATES (PER \$100 OF ASSESSED VALUATION)**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City</b>		<b>Jefferson County</b>		<b>Consolidated School District</b>			<b>Total</b>		
	<b>Real</b>	<b>Personal</b>	<b>Real</b>	<b>Personal</b>	<b>Real</b>	<b>Inventory</b>	<b>Personal</b>	<b>Real</b>	<b>Inventory</b>	<b>Personal</b>
1993	0.430	0.566	0.159	0.170	0.520	0.520	0.520	1.109	0.520	1.256
1994	0.430	0.566	0.145	0.166	0.526	0.526	0.526	1.101	0.526	1.258
1995	0.416	0.566	0.143	0.166	0.556	0.556	0.556	1.115	0.556	1.288
1996	0.416	0.566	0.143	0.166	0.551	0.556	0.556	1.110	0.556	1.288
1997	0.408	0.566	0.141	0.166	0.536	0.557	0.557	1.085	0.557	1.289
1998	0.408	0.566	0.140	0.166	0.541	0.559	0.559	1.089	0.559	1.291
1999	0.405	0.566	0.137	0.166	0.541	0.562	0.562	1.083	0.562	1.294
2000	0.399	0.566	0.134	0.166	0.539	0.564	0.564	1.072	0.564	1.296
2001	0.394	0.566	0.129	0.166	0.532	0.567	0.567	1.055	0.567	1.299
2002	0.376	0.566	0.128	0.166	0.537	0.537	0.537	1.041	0.537	1.269
2003	0.376	0.283	0.128	0.166	0.572	0.572	0.572	1.076	0.572	1.021

School district rates and Jefferson County rates obtained from sheriff's office.

## PRINCIPAL TAXPAYERS

June 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of \$57,072,417,367</u>
National City Bank Kentucky	Banking	\$ 3,340,251,807	5.9%
PNC Bank Kentucky, Inc.	Banking	1,661,213,831	2.9%
Bank One Kentucky	Banking	1,521,168,000	2.7%
BellSouth Telecommunications	Telecommunications	1,193,306,947	2.1%
Fifth Third Bank Kentucky	Banking	1,141,864,000	2.0%
Branch Banking & Trust (BB&T)	Banking	1,032,384,000	1.8%
Louisville Gas & Electric Co.	Energy Utility	540,433,735	0.9%
Insight Midwest LP	Cable Media	227,662,858	0.4%
Ford Motor Company	Manufacturing	178,377,777	0.3%
Humana Inc.	Health Care	165,202,592	0.3%
		<u>\$ 11,001,865,547</u>	<u>19.3%</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT****COMPUTATION OF LEGAL DEBT MARGIN****June 30, 2003**

ASSESSED VALUATION - January 1, 2003	\$ 57,072,417,367	
Debt limit - ten percent of assessed valuation		\$ 5,707,241,737
BONDED DEBT APPLICABLE TO LIMIT -		
Serial bonds outstanding		<u>389,639,029</u>
Legal debt margin		<u>\$ 5,317,602,708</u>

Metro Government is authorized by Section 158 of the Kentucky Constitution to incur indebtedness to a maximum of ten percent of the value of the taxable property located within the boundaries of Jefferson County. Value of taxable property is to be estimated by the assessment next before the assessment previous to incurring of additional indebtedness.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**RATIO OF NET GENERAL OBLIGATION BONDED DEBT**  
**TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

**Last ten fiscal years**

<u><b>Fiscal Year</b></u>	<u><b>Population</b></u>	<u><b>Assessed Value</b></u>	<u><b>Gross Bonded Debt</b></u>	<u><b>Net Bonded Debt</b></u>	<u><b>Ratio of Net Bonded Debt to Assessed Value</b></u>	<u><b>Net Bonded Debt Per Capita</b></u>
<u><b>CITY OF LOUISVILLE</b></u>						
1994	266,638	\$ 8,216,291,652	\$ 6,445,000	\$ 6,445,000	0.08%	\$ 24
1995	264,988	8,833,802,370	4,775,000	4,775,000	0.05%	18
1996	262,648	9,041,965,479	3,485,000	3,485,000	0.04%	13
1997	260,689	9,639,579,918	2,285,000	2,285,000	0.02%	9
1998	260,689	10,153,329,043	1,030,000	1,030,000	0.01%	4
1999	255,045	10,097,680,848	26,390,000	26,390,000	0.26%	103
2000	253,128	10,735,854,677	25,360,000	25,360,000	0.24%	100
2001	256,231	11,268,687,575	24,295,000	24,295,000	0.22%	95
2002	256,231	12,671,359,570	36,680,000	36,680,000	0.29%	143
<u><b>JEFFERSON COUNTY FISCAL COURT</b></u>						
1994	676,115	\$ 27,292,233,703	\$ 172,475,776	\$ 172,475,776	0.63%	\$ 255
1995	678,891	29,449,187,365	179,742,761	179,742,761	0.61%	265
1996	681,679	30,613,513,733	211,396,634	211,396,634	0.69%	310
1997	684,478	41,070,728,491	210,543,345	210,543,345	0.51%	308
1998	687,289	43,358,607,535	270,232,371	270,232,371	0.62%	393
1999	690,111	46,632,015,837	268,762,111	268,762,111	0.58%	389
2000	693,604	48,686,537,031	297,955,443	297,955,443	0.61%	430
2001	692,910	51,130,614,851	290,022,750	290,022,750	0.57%	419
2002	695,416	55,141,931,108	280,163,590	280,163,590	0.51%	403
<u><b>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</b></u>						
2003	695,416	\$ 57,072,417,367	\$ 257,421,232	\$ 257,421,232	0.45%	\$ 370

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION**  
**BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

**Last ten fiscal years**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest (2)</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures (3)</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
<b><u>CITY OF LOUISVILLE</u></b>					
1994	\$ 1,655	\$ 296	\$ 1,951	\$ 202,717	1.0%
1995	1,670	230	1,900	205,738	0.9%
1996	1,290	173	1,463	226,104	0.6%
1997	1,200	120	1,320	252,608	0.5%
1998	1,255	67	1,322	268,159	0.5%
1999	290	481	771	329,082	0.2%
2000	1,030	1,065	2,095	288,039	0.7%
2001	1,065	1,110	2,175	318,258	0.7%
2002	1,105	1,315	2,420	322,719	0.7%
<b><u>JEFFERSON COUNTY FISCAL COURT</u></b>					
1994	\$ 1,677	\$ 2,413	\$ 4,090	\$ 142,630	2.9%
1995	590	2,154	2,744	148,944	1.8%
1996	4,163	2,421	6,584	158,143	4.2%
1997	7,533	3,822	11,355	179,415	6.3%
1998	10,133	7,251	17,384	192,256	9.0%
1999	16,953	12,789	29,742	223,253	13.3%
2000	6,744	11,287	18,031	205,090	8.8%
2001	10,100	14,838	24,938	218,519	11.4%
2002	14,494	11,615	26,109	229,681	11.4%
<b><u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u></b>					
2003	\$ 21,754	\$ 14,372	\$ 36,126	\$ 560,161	6.4%

(1) Bonds reported in the enterprise funds have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes General and Special Revenue Funds, Debt Service Funds to 2001, and Proprietary Funds 2002 and after for debt service.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE  
AS OF JUNE 30, 2003**

**AUTOMOBILE:**

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Auto Liability Excess	Metro's Risk Management Division	Louisville Area Governmental Self Insurance Trust	LOU-03-00	07/01/2002 - 07/01/2003	Excess Liability coverage through LAGIT Self Insurance Trust to complement the Metro's Self-Insured Auto Liability Program. Also includes cost for claims adjustment services.	Up to \$20,000,000 per Occurrence, which is subject to a \$300,000 Deductible per Occurrence.	\$1,038,826 (subject to year end audit) includes former County premium for 1/6/03-7/1/03.

**WORKER'S COMPENSATION:**

Worker's Compensation Excess Insurance	Underwriters Safety & Claims, Inc.	Midwest Employer's Casualty Company	2800-SO-KY	07/01/2001 - 07/01/2003	Specific Excess insurance to complement Metro's Self-Insurance Program for Workers' Compensation.	Statutory Excess Limits with Limited Jones Act coverage and \$1,000,000 Employer's Liability limit. Self-Insured Retentions: \$300,000 per Occurrence.	\$153,304 (subject to year end audit) including full annual premium of former County coverage.
Workers' Compensation Insurance Policy	Underwriter's Safety and Claims	Liberty Mutual Insurance	WC7-33S-312562-013	3/17/03-3/17/04	Workers' Compensation policy covering one employee in Washington DC.	Statutory limits with \$1,000,000 Employer's Liability limit.	\$753
Workers' Compensation insurance policy for Louisville Gardens Operating Company	Acordia of Kentucky	KESA, the Kentucky Workers' Comp Fund	001000000374103	1/1/03-1/1/04	Workers' Compensation policy for one employee of Louisville Gardens Operating Company	Statutory limits with \$1,000,000 Employer's Liability limit	\$1922



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE  
AS OF JUNE 30, 2003**

**PROPERTY:**

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Real & Personal Property, Electronic Data Processing and Auto Excess Physical Damage for all properties excluding former County owned locations	Metro's Risk Management Division	Louisville Area Governmental General Insurance Trust (LAGGIT)	P-LOU-01-02	09/07/2002-07/01/03	All Causes of loss subject to Policy Form Exclusions. Blanket Coverage for Building and Personal Property. Electronic data processing equipment & media, fine arts, auto physical damage, and valuable papers. Includes extension for Flood, Earthquake and Business Income/ Extra Expense coverage for all properties in which Metro government has a financial interest at sublimited amounts, as per Schedule of Locations on file. Valuation is on a Replacement Cost, Agreed Value basis. Blanket Coverage automatically includes newly acquired locations, subject to a \$100,000,000 Sublimit subject to reporting limitations. Coverage also includes Equipment Breakdown (boiler coverage) within policy limits. Includes coverage for Parking Authority of River City (PARC) Properties, Louisville Slugger Field and Louisville Free Public Library.	\$500,000,000 Shared limit for Comprehensive Causes of Loss. \$100,000,000 Shared Annual Aggregate limit for Earthquake. \$100,000,000 Shared Annual Aggregate limit for Flood.  Deductible: \$250,000 all causes of loss including Earthquake and Flood except, Flood Zone A locations shall have a deductible of the amount equal to all flood insurance available under the National Flood Insurance Program, whether purchased or not, in addition to the \$250,000 standard deductible. Auto physical damage deductible is \$100,000.	\$545,526 for the term 9/7/2002-7/1/2003 including Library premium for term 5/1/03-7/1/03.
Real and Personal Property for former Jefferson County Fiscal Court owned properties	Reisert & Associates	Travelers Insurance	KTK-CMB-123D194-3-02	9/15/02-7/1/03	Covered causes of loss subject to policy exclusions on a blanket basis for real and personal property subject to a maximum 115% of value on statement of values. \$1,000,000 newly acquired locations. \$100,000 in transit, \$1,000,000 Ordinance or Law, \$3,851,133 on Contractors Equipment. \$100,000 Occurrence and aggregate for limited fungus, wet rot, dry rot and bacteria. Coverage is on a no coinsurance, replacement cost basis.	\$372,000,000 Blanket limit for Covered Causes of loss with \$20,000,000 occurrence and aggregate for Earthquake and \$20,000,000 for flood except for Zone A where the limit is \$1,000,000. Deductible of \$25,000 applies except for Earthquake which has a \$100,000 deductible and Flood which also has a \$100,000 deductible except for Zone A which has a deductible equal to the amount of National Flood insurance available (whether purchased or not) plus \$100,000.	\$261,985 for the term

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE  
AS OF JUNE 30, 2003**

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Flood Insurance	Patriot Group	National Flood Insurance Program through Travelers Insurance Company	6501046608 6501046590 6004594617	05/7/2003 - 05/7/2004	Flood coverage on four specific locations in flood zone AE. Coverage is on Actual Cash Value with a stated value per location.	\$500,000 Building (Clubhouse) \$12,000 Contents with \$500 deductible each on 460 Northwestern Parkway Louisville, KY 40212  \$225,000 Building (Chemical Storage) \$200,000 Contents with \$1,000 deductible each on 460 Northwestern Parkway Louisville, KY 40212  \$350,000 Building (Eastern Yards) \$150,000 contents with \$500 deductible each on 935 Logan Street Louisville, KY 40204  \$500,000 Building (Parking Authority of River City Riverfront Garage), \$150,000 contents with \$1,000 deductible on each 141 N. 64 <sup>th</sup> St. Louisville, KY 40202	\$9,244
		National Flood Insurance Program through Travelers Insurance Company	6501007154	12/5/2002 - 12/5/2003			

**Additional Insurance policies maintained:**

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Community Action Partnership (CAP) Business Auto and Contents Policy	Acordia of Kentucky	Cincinnati Insurance Company	CAP7690889	08/28/2002 - 08/28/2003	Auto Liability (including Hired & Nonowned) Collision Comprehensive  Also includes \$25,000 Comprehensive and Collision coverages for Hired & Borrowed vehicles.  "All Risk" Blanket coverage on contents and Electronic Data Processing Equipment with a Replacement Cost Agreed Value basis. (Subject to policy exclusions.)	\$1,000,000 CSL  \$500 Deductible (on two owned vehicles). \$250 Deductible (on two owned vehicles).  Deductibles \$250 and \$500 respectively on Hired & Borrowed vehicles physical damage coverage.  \$151,000 Blanket Contents limits with \$500 Deductible per Occurrence. \$177,500 Electronic Data Processing Equipment Limit with \$10,000 Media Coverage and \$10,000 Extra Expense. A \$250 deductible applies.	\$4,872
Aircraft Liability and Hull coverage	Underwriter's Safety and Claims	Westchester Fire Insurance Company	CAN 770341	11/16/02 - 11/16/03	Aircraft Liability coverage including Medical Payments. Hull Coverage on MD520M model 4 seated helicopter.	\$10,000,000 liability per Occurrence with \$3,000 medical payments each person, \$15,000 each occurrence. Hull deductible \$60,000 in motion, moored and ingestion - \$1,000 not in motion. Aircraft value of \$1,200,000.	\$103,075

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE

AS OF JUNE 30, 2003

Indemnity and Hull coverage for Watercraft	Reisert & Associates	Continental Insurance Company	H 0863768	10/15/02-7/1/03	Liability and hull coverage for 1989 28' Coastal Cruiser, 1990 20' Wellcraft, 1976 35' Patrol Fire Boat, 1994 Office Barge, 1990 Rinker V230 Runabout and 1973 Jonboat (liability only) and related trailers.	\$300,000 liability limit subject to a \$1,000 deductible. Various limits of coverage on Hull subject to a 2% deductible.	\$10,556
Inland Marine	Reisert & Associates	Continental Casualty	C 1080952355	9/11/02-9/11/03	All Causes of loss property coverage on voting machines and related equipment subject to policy exclusions, which include flood and earthquake. 100% coinsurance on actual cash value basis.	Total limit of coverage on policy \$2,189,728 with deductible of \$2,500.	\$5975
Inland Marine	Kiely Hines & Associates	OneBeacon	QIR761932	7/1/02-7/1/03	All causes of loss subject to policy exclusions coverage at 80% coinsurance on Replacement cost basis covering contractor's equipment.	\$1,591,950 with a deductible of \$5,000	\$11,940
Inland Marine	Reisert & Associates	Continental Casualty Company	C 1056269612	7/1/02-7/1/03	All causes of loss subject to policy exclusions for Electronic Data processing equipment and Software. Extra Expense also covered. \$50,000 sublimit for in transit exposures. Specific coverage per location. 100% coinsurance applies with coverage on replacement cost basis.	Total value of \$2,715,000 With a deductible of \$5,000	\$252
Inland Marine	Underwriter's Safety and Claims	ACE Property and Casualty Insurance	I20574689	9/15/02-9/15/03	All Risks of Direct physical loss subject to policy exclusions on Miscellaneous Floating property on an Actual Cash Value basis with 80% coinsurance.	\$5,798,091 with a deductible of \$2,500	\$20,664
Auto physical Damage coverage	Kiely Hines & Associates	OneBeacon Insurance	QIR798489	10/15/02-7/1/03	All causes of loss excluding flood. Earthquake subject of sublimit of \$1,000,000 occurrence/aggregate. Coverage is on Actual Cash Value. Catastrophe coverage for vehicles while parked at various premises.	\$7,000,000 limit of liability with deductible of \$50,000 for all coverages.	\$14,562 for the term.
Auto physical Damage coverage	Reisert & Associates	American Casualty Co	C 1080150386	7/1/02-7/1/03	Comprehensive coverage on 126 designated licensed heavy equipment units.	Total cost new of all vehicles \$2,949,29 with deductible of \$3,000 each unit.	\$14,632
Boiler Coverage for former Jefferson County Fiscal Court	Acordia of Kentucky	Cincinnati Insurance	BEP266 27 92	1/1/02-7/1/03	Comprehensive Breakdown coverage for Machinery and Equipment including Combined Business Interruption and Extra Expense plus \$10,000 Consequential Damage.	\$20,000,000 policy limit with Business Interruption limit of \$4,990,000 total with \$2,000,000 monthly limitation plus \$10,000 Consequential Damage. Deductible of \$2,500 applies.	\$4771 for the term.

20 per participant  
per month.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE**

Pollution Liability Coverage for the Belle of Louisville, Spirit of Jefferson and Wharf Barge	Mauzy & Associates	Great American Insurance Company of New York	OMH 346-11-18	AS OF JUNE 30, 2003 4/15/03 - 4/15/04	Pollution Liability		\$5,000,000 Limit of liability excess of \$5,000,000	\$2,500
<b>LIABILITY:</b>								
Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost	
General Liability, Public Official Liability, Police Professional, Medical Professional (EMS) & Employers Liability (Excess)	Metro's Risk Management Division	Louisville Area Governmental Self Insurance Trust	LOU-03-00	07/01/2002 - 7/1/2003	Excess Liability coverage through LAGIT Self Insurance Trust to complement Metro's Self Insured Program for General Liability (including Employment Practices), Public Official Liability, Police Professional Liability, Medical Professional Liability, Employer's Liability and UST/Pollution Coverages. Also includes cost for claims adjustment services.	Up to \$20,000,000 per Occurrence, subject to a \$300,000 Deductible per Occurrence, except \$1,300,000 deductible on Employer's Liability (due to purchase of underlying Commercial Insurance Coverage).  Separate Limits on U.S.T. Coverage: \$1,000,000 per Occurrence with an Aggregate lifetime Limit of \$5,000,000 subject to a \$25,000 per Occurrence deductible and a \$100,000 Aggregate lifetime deductible (per Occurrence deductible \$2,500 after Aggregate lifetime deductible met.) This coverage shall supplement and be excess of protection provided by the Kentucky U.S.T. State Assurance Fund.	\$1,155,051 (subject to year end audit) including premium for former Council for the 1/6/03 - 7/1/03	
Also includes Underground Storage Tank Pollution Liability					Covers Pollution Liability exposures created by Underground Storage Tanks.			
Public Official Liability for Jefferson County Clerk's Office	Metro's Risk Management Division	Louisville Area Governmental Self Insurance Trust	JCC-16-02	07/01/2002 - 07/01/2003	Public Official Liability coverage through LAGIT Self Insurance Trust.	\$5,000,000 per Occurrence, subject to a \$10,000 deductible	\$37,500 subject to year end audit.	
<b>BONDS:</b>								
Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost	
Government Crime Coverage	Sterling G. Thompson Company	The F & D Companies	CCP 00516 27	04/01/2001 - 04/01/2004	Government Crime Coverage on all Metro employees including Police Officers Includes Specific Excess Indemnity on the Director of Finance and Budget /CFO and Administrator of Cash Management. Coverage includes Funds Transfer Fraud and Computer Fraud.	\$1,000,000 Limit per loss on Public Employee Theft & Faithful Performance Coverage on all employees including Police Officers. Includes Funds Transfer Fraud. \$500,000 Specific Excess Indemnity on the Director of Finance and Budget/CFO and Administrator of Cash Management \$10,000 deductible per loss. \$1,000,000 Computer Fraud Coverage included.	\$10,824	
Public Official Bond - Alcohol Beverage Control Administrator	Acordia of Kentucky	Fidelity & Deposit Company of Maryland	POB 400 9123	1/21/2001 continuous	Faithful Performance Public Official Bond on Alcohol Beverage Control Administrator, as per Ordinance 34.109.	\$1,000 Limit.	\$102	
Public Official Bond - County Clerk	Sure-Linc Services, Inc.	Ohio Casualty Insurance Company	3-782-544-1	1/6/03-1/6/07	Faithful Performance Public Official Bond on County Clerk Barbara Holsclaw	\$500,000	\$1269	

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE

AS OF JUNE 30, 2003

Public Official Bond - Deputy Coroners blanket bond	Sure-Linc Services, Inc.	Western Surety Company	58482897	1/1/03-1/1/04	Faithful Performance Public Official Bond on position of Deputy Coroner	\$2,000 each deputy	\$102
Public Official Bond - Coroner	Sure-Linc Services, Inc.	Western Surety Company	69436188	1/1/03-1/1/07	Faithful Performance Public Official Bond on position of Coroner, Ronald Holmes	\$10,000	\$102
Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Public Official Bond - Constable	Sure-Linc Services, Inc.	Western Surety Company	69436199	1/1/03-1/1/07	Faithful Performance Public Official Bond on position of Constable, Michael S. Thompson	\$10,000	\$102
Public Official Bond - Constable	Sure-Linc Services, Inc.	Western Surety Company	69436200	1/1/03-1/1/07	Faithful Performance Public Official Bond on position of Constable, John D. Zehnder	\$10,000	\$102
Public Official Bond - Constable	Sure-Linc Services, Inc.	Western Surety Company	69436196	1/1/03-1/1/07	Faithful Performance Public Official Bond on position of Constable, William Murphy Clark	\$10,000	\$102
Public Official Bond - Surveyor	Sure-Linc Services, Inc.	Western Surety Company	69437491	1/1/03-1/1/07	Faithful Performance Public Official Bond on position of Surveyor, Richard S. Matheny	\$10,000	\$102
Public Official Bond - County Road Engineer	Sure-Linc Services, Inc.	Ohio Casualty Insurance Company		1/9/03-1/9/04	Faithful Performance Public Official Bond on position of County Road Engineer Mark W. Adams	\$10,000	\$51
Public Official Bond - County Judge Executive	Sure-Linc Services, Inc.	Western Surety Company	69436194	1/1/03-1/1/07	Faithful Performance Public Official Bond on position of County Judge Executive, Kenneth A. Herndon	\$10,000	\$102
Public Official Bond - Clerk of Metro Government	Acordia of Kentucky	Fidelity and Deposit Company	08692902	1/6/03-1/6/04	Faithful Performance of the office of Clerk, Kathleen Jo Herron	\$10,000	\$102
Revenue Bond	Independent Agents, Inc.	Ohio Casualty Insurance Company	3-4844-188-8	8/1/02-8/1/03	Faithful Performance of Jefferson County Sheriff as collector of taxes, John Edward Aubrey	\$1,000,000	\$1852

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF INSURANCE PROTECTION IN FORCE  
AS OF JUNE 30, 2003**

<b>GROUP: Type of contract</b>	<b>Agent</b>	<b>Insurer</b>	<b>Policy number</b>	<b>Policy term</b>	<b>Coverage</b>	<b>Limits</b>	<b>Annual cost</b>
Group Life Insurance	NA	Prudential Life Insurance Company	G-0094132	01/01/03 01/01/04	Group Term Life Insurance with Accidental Death and Dismemberment Coverage available to all full time City employees and County employees who work 17.50 hours per week or more. Supplemental life insurance and dependent life insurance available for purchase by employee.	In the event of death, basic coverage is \$5,000 for city union employees and one time annual salary, not to exceed \$50,000 for non-union city employees. All county employees receive \$15,000. Supplemental coverage is available in \$10,000 increments to \$50,000 then in \$25,000 increments starting at \$75,000, subject to a maximum of \$300,000 prior to age 70. \$2,500 is available for coverage on union dependents and \$5,000 for non-union dependents.	\$673,465.36 estimated
Group Long Term Disability (LTD)	NA	Hartford Life Insurance Company	GLT-205117	01/01/03 01/01/04	Long Term Disability (LTD) Insurance for all eligible full time city employees. Police coverage was dropped 7-1-03 due to contract language. Designed to provide a monthly benefit to employees during periods of non-work related Total Disability.	90 day qualifying period. Employee then receives 50% of monthly earnings subject to a Maximum Schedule amount of \$4,000 per month. Also, optional coverage is available that would provide 60% of monthly earnings subject to a maximum schedule amount of \$5,000 per month.	\$302,388 estimated
Group Medical Plans	NA	Humana	D6270	01/01/03 01/01/04	Healthcare insurance for employees and dependents.	Varies per plan on file in the Human Resources Department.	\$13,516,656 estimated including employee cost
Group Medical Plans	NA	Anthem	00027688	01/01/03 01/01/04	Healthcare insurance for employees and dependents.	Varies per plan on file in the Human Resources Department.	\$8,826,897 estimated including employee cost

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
RECORD OF CONTRACTS IN FORCE  
TO HANDLE INSURANCE PROGRAMS  
AS OF JUNE 30, 2003

<u>Type of Contract</u>	<u>Company</u>	<u>Contract Number</u>	<u>Contract Period</u>	<u>Details of Contract</u>	<u>Annual Cost</u>
Workers' Compensation Claims Adjuster	Underwriters Safety & Claims, Inc.	20020718-1231	07/01/2002 - 06/30/2003	Claims adjusting service on Worker's Compensation claims for the Metro's Self-Insured Program. \$19,600 per month - Flat Fee	\$235,200
Actuarial Analysis & Rate Development For Self-Insurance Fund	MMC Enterprise Risk formerly William M. Mercer Company	P-22224	1/01/2003 - 1/01/2004	Consultant provides actuarial analysis, fund review, and rate development for the City's Self-Insured Auto Liability, Workers' Compensation and General Liability programs.	\$12,900
Consultant for Benefits, Classification and Compensation	Mercer Human Resources Consulting	PSC-2002-3721	1/1/02-1/1/2004	Consultant providing assistance to Human Resource Department regarding employee benefits, compensation and classification. Billed at \$250 per hour not to exceed \$75,000.	Not to exceed \$75,000
Employee Assistance Program (EAP)	Magellan	603	1/01/2003 - 1/01/2004	Provide employee assistance program support and related training to City/County employees.	\$115,434
Administration of Medical/Dependent Care/Transportation Reimbursement Plan	Wildcard Associates	PSC 2002-431	1/01/2003 - 1/01/2004	Provide Third Party Administration for Medical, Dependent Care and Transportation Reimbursement program. On a fee for Service Basis.	Not to exceed \$15,000